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DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 1989

HEARINGS

BEFORE THE

COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

SECOND SESSION

ON

S. 2355

AUTHORIZING APPROPRIATIONS FOR FISCAL YEAR 1989 FOR MILITARY ACTIVITIES OF THE DEPARTMENT OF DEFENSE, FOR MILITARY CONSTRUCTION, AND FOR DEFENSE ACTIVITIES OF THE DEPARTMENT OF ENERGY, TO PRESCRIBE PERSONNEL STRENGTHS FOR SUCH FISCAL YEAR FOR THE ARMED FORCES, AND FOR OTHER PURPOSES

PART 2
READINESS, SUSTAINABILITY, AND SUPPORT

MARCH 23, 25, 28, 31; APRIL 13, 1988

JOINT HEARING
READINESS, SUSTAINABILITY, AND SUPPORT
AND
MANPOWER AND PERSONNEL

APRIL 13, 1988

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DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 1989

WEDNESDAY, MARCH 23, 1988

U.S. SENATE,
SUBCOMMITTEE ON READINESS,
SUSTAINABILITY AND SUPPORT,
COMMITTEE ON ARMED SERVICES,
Washington, DC.

READINESS AND SUSTAINABILITY POSTURE OF SELECTED UNIFIED COMBATANT COMMANDS

The subcommittee met in open session, pursuant to notice, at 9:30 a.m., Senator Alan J. Dixon presiding.

Present: Senators Dixon, Thurmond, and McCain.

Staff present: Robert E. Bayer, George K. Johnson, Jr., Ronald P. Kelly, and David S. Lyles, professional staff members; Mary J. Kampo, staff assistant.

Also present: Charles C. Smith, assistant to Senator Dixon; Robert K. Griffith, assistant to Senator Wirth; and Anthony H. Cordesman, assistant to Senator McCain.

OPENING STATEMENT OF SENATOR ALAN J. DIXON, CHAIRMAN

Senator DIXON. The Subcommittee on Readiness, Sustainability, and Support meets today to begin our hearings on the amended fiscal year 1989 defense authorization request.

I want to welcome all of the members of the subcommittee to our first meeting this year. We have some busy weeks and months ahead of us and I want to say that I particularly look forward to working with my friend and colleague, the ranking minority member of the subcommittee, Senator Gordon Humphrey.

This is our third year of serving together on this subcommittee. We have both tried to run this subcommittee on a completely bipartisan basis, and I think the record will show that we have been in agreement on almost all of the major issues before this subcommittee.

Under the reorganization of the Armed Services Committee last year, this subcommittee was given a broad charter to oversee two critical measures of our military capability, the ability of our military forces to go to war today and the ability to sustain forces in a conflict.

The subcommittee is responsible to the full committee and to the Senate for reviewing those elements of the defense authorization request which are associated with the operation and maintenance of our forces and with those items of procurement particularly related to readiness and sustainability, such as conventional ammunition and spare parts.

This subcommittee also reviews the budget for military construction and family housing. By my calculations, approximately 35 percent of the Defense Department's budget request, or approximately $105 billion in fiscal year 1989, falls under the jurisdiction of this subcommittee.

In our first hearing today, we will receive testimony from the designated representatives of four of our unified combatant commanders. This hearing will review the current wartime readiness and sustainability posture of the forces in these unified commands and then focus on how the amended fiscal year 1989 budget meets the specific readiness and sustainability needs of these forces.

At our second hearing on Friday of this week, we will hear from the senior logistics commanders of the Army, Navy, and the Air Force on their depot maintenance and central supply programs.

On Monday of next week, we will receive testimony from Army and Air Force witnesses on their ammunition programs and hear from a panel of private sector experts on this subject.

Our fourth hearing, also next week, will focus on the services' overseas military construction programs and on current base rights negotiations. At that hearing, we will also hear the results of the General Accounting Office review of the payment of U.S. maneuver damage claims in Germany, which I requested, as many of you will recall, last fall.

The subcommittee's final hearing on the amended year 1989 budget will be a joint hearing on April 13 with the Manpower and Personnel Subcommittee on the readiness of the combat support, combat service support units in the Army.

Last year at this time, I expressed a concern that the fiscal year 1988–1989 budget put in jeopardy the substantial progress we have made in readiness and sustainability, in recent years. My concern is even greater quite frankly, this year.

Last fall's deficit reduction agreement between the Congress and the President resulted in deep cuts in the operations and maintenance accounts, which are having an impact throughout the force today. The amended fiscal year 1989 budget tries to restore some of these cuts, but I think the testimony we will hear over the next month is going to show that important readiness and sustainability programs are still underfunded.

Our witnesses this morning represent the unified commanders of European Commands, Central Command, Pacific Command, and Atlantic Command. Gen. Thomas C. Richards is the Deputy Commander in Chief of European Command. Maj. Gen. Christian J. Patte is Director of Logistics and Security Assistance for Central Command. Rear Adm. Hugh L. Webster is Director of Logistics and Security Assistance for the Pacific Command. And Brig. Gen. H.C. Stackpole is Director of Policy and Plans for the Atlantic Command.

Gentlemen, we welcome you to the subcommittee and we appreciate your being here this morning. Your full statements, of course, will be included in the record. We will have questions after you have given your oral testimony, and we will proceed in open session as long as possible.

I think I have a few questions which will require classified answers, and so I suggest we postpone any classified discussion until the end of the hearing, when we will have a brief closed session.

Before the witnesses begin, let me say that Senator Strom Thurmond has been here. He will be shown present in the record.

I expect that Senator Humphrey, the ranking member, will be along shortly, and if he comes in here this morning I would ask the witnesses to indulge me so that I can yield to him whatever time he may require to make a brief statement.

And it is my pleasure to yield to my warm friend, the distinguished Senator from Arizona, Senator McCain, in the event he has any opening statement.

Senator McCAIN. Thank you, Mr. Chairman. I have a very brief opening statement with your permission.

Mr. Chairman, I have read through the detailed statements of the major unified and specified commands on the impact of the President's proposed fiscal year 1989 defense budget on their readiness, sustainability, and support capability. And quite frankly, I am impressed by how well each command in the Department of Defense have done in adjusting their programs to preserve their present readiness and their force levels.

At the same time, the testimony we received only hints at the impact of the current budget on the long-term readiness of each command. It does not address the overall impact of the current 5-year defense plan on our capabilities by the mid–1990's.

The testimony does not address the long term impact of the cuts in defense spending through fiscal year 1994 on training, on readiness, or on sustainability. That will come as we draw down on the capabilities that past levels of spending have made possible.

With a few exceptions, it does not project the growth in maintenance backlogs, the growing shortfalls in key munitions, or the decline in the rate of equipment modernization.

I would hope that we would hear additional testimony here today as to how these mission capabilities will be effected over time, and it is the risk we run in war-fighting capability.

I would hope that we would hear more about how the trends in our forces compare with those in the threat and in allied forces.

Let me also state that we need to pay very careful attention to the statement of General Richards. We are told on page 4 of his testimony that the Warsaw Pact has 60 to 90 days of operational spares and equipment deployed forward, while we are told on page 18 that we simply cannot meet our commitments to NATO.

Further, we are told on page 19 of this testimony that there are major "war-stoppers" in our present level of readiness in Europe, and that there are critical shortfalls in our prepositioned equipment in most key categories of advanced munitions and most every category of major land weapons and in spare parts.

I will be asking General Richards to provide a detailed list of these shortfalls for the record as they apply to our forces in fiscal year 1989 and as they will apply at the end of the current FYDP.

And I would urge the subcommittee to pay particularly close attention to these problems. We keep hearing a great deal, Mr.

Chairman, about the conventional defense initiative, but General Richards' testimony indicates that we have only a limited warfighting option now and that we may lose conventional defense capability steadily during the next 5 years at the present level of defense spending.

I think this is an area where both Senator Levin and you and I would agree that we not only need comprehensive detail on our shortfalls, but similar data on the capabilities of our allies and how they compare with those of the Warsaw Pact.

Thank you, Mr. Chairman.

Senator **Dixon**. Well, I want to thank you, Senator, for your very fine opening statement, and I think the fact that you correctly represented what the good General has said in a variety of places in his statement will persuade the four witnesses that at least the two Senators that are here have fully read the extensive statements of all four of the witnesses.

Your statements are very fine. They are somewhat lengthy. If you can confine your testimony to 10 or 12 minutes, it would be greatly appreciated by the two Senators who are here.

And we will proceed first with Gen. Thomas C. Richards, Deputy Commander in Chief of the U.S. European Command. And may I say, General, we appreciate your courtesy in giving us this information this morning.

STATEMENT OF GEN. THOMAS C. RICHARDS, U.S. AIR FORCE, DEPUTY COMMANDER IN CHIEF, U.S. EUROPEAN COMMAND

General **Richards**. Mr. Chairman and distinguished members of the subcommittee, on behalf of General Galvin, Commander in Chief, U.S. European Command, I welcome this opportunity to contribute to your examination of readiness, sustainability, and support programs included in the fiscal year 1989 defense budget.

I provided a detailed statement for the record and I would like now to summarize that statement. As the Deputy Commander in Chief of the U.S. European Command, I am responsible to General Galvin for managing the day-to-day military activities within our assigned area of responsibility.

This is a unique relationship which exists only within the European Command. In addition to commanding U.S. forces in Europe, General Galvin also serves as the Supreme Allied Commander, Europe, responsible to the North Atlantic Treaty Organization. General Galvin commands his theater from his allied command headquarters in Mons, Belgium, while I operate from the U.S. forces headquarters near Stuttgart, Germany.

Our mission, stated succinctly, is to deter war in Europe and maintain the peace. Not all of the Eurasian continent seems to share that goal.

Despite the conciliatory rhetoric of the Kremlin leadership, there has been no decrease in their conventional forces facing Western Europe, nor has there been any slowdown in their rate of quantitative or qualitative modernization. The Warsaw Pact forces facing our outnumbered forward deployed forces are stronger than ever.

Perestroika and glasnost have not resulted in any redirection of their resources away from the Soviet military machine. Thus, the

United States remains committed, not as an act of charity, but in the defense of our own vital interests, to a peaceful and free Europe.

The most visible symbol of this commitment remains the 326,000 American soldiers, sailors, airmen, and marines manning credible, ready and sustainable conventional and nuclear systems, standing shoulder to shoulder with our alliance partners to deter all threats to peace and security.

Last month, General Galvin testified before the Senate Armed Services Committee. In that testimony, he presented his views on the INF Treaty and necessary strategy for Europe. Now we have the President's proposed 1989 budget, which provides resources to implement that strategy.

My purpose today is to provide European Command's assessment of that defense budget, while focusing on its contributions to the readiness and sustainability of the European theaters' forces.

One of the CINC's primary tasks during the resource allocation process is to identify the capabilities necessary to accomplish assigned missions, to identify the existing shortfalls, and then to work with the Department of Defense to develop and implement effective solutions.

General Galvin has worked closely with Secretary Carlucci, with Admiral Crowe and the service Chiefs to develop our fiscal year 1989 budget, and 1989 budget that provides the United States European Command sufficient resources to maintain readiness and sustain our forces.

General Galvin's message throughout the development process has been the need for a balanced approach, both across the budget and within each pillar of defense—readiness, sustainability, modernization, and force structure. The strategy of flexible response depends on maintaining a credible deterrent across the spectrum of conflict and within each leg of the defensive triad.

A balance must be achieved that provides not only a sufficient number of systems, but also the people, training, and support necessary to operate, train on, and repair those systems.

The President's proposed fiscal year 1989 budget provides the European Command a balanced package of deterrent capabilities, despite reduced funding. Key programs needed by this theater have been preserved, as has the progress we have made recently to improve our munitions and training capabilities.

We have avoided the temptation to return to the hollow force structure of the seventies. Additionally, we have proposed prudent investments for the future, recognizing that modernization of our forces is a continuous challenge that cannot be postponed without incurrring greater risk and higher cost later.

Considering the limited resources available, the proposed budget achieves the necessary balance and adequately supports the European Command's priority requirements. We all recognize that it is one thing to update our weapons systems, but quite another to ensure that we will be supported sufficiently to conduct extended combat operations.

Thus, I would like to stress the continued need for a balanced program of readiness and sustainment improvements. This is particularly important in the case of our forces in Europe, elements that occupy forward defense positions and might have to fight heavily outnumbered against an attacking echelon of Warsaw Pact forces.

With your support, the readiness and sustainability programs that were jointly prepared by the services and the CINCs will enable the U.S. forces to maintain marginally acceptable levels of support. While General Galvin and I would prefer higher levels, we will preserve the progress made in recent years. We will increase the fill of our POMCUS stocks.

We will receive funds, with this committee's support, for essential upgrades to better manage our prepositioned equipment and the reception and onward movement of U.S. reinforcements.

Also, we will draw closer to delivery of the C-17 transport aircraft. Our preparedness for the reinforcement of Europe will improve as well, largely due to recent increases in the levels of wartime host nation support to be provided by our allies and the recent collocated operating bases.

These agreements make European airports available to U.S. reinforcing air units during wartime, thereby greatly reducing the number of aircraft at any one base and complicating Soviet planning.

Despite this progress, we remain unable to meet fully our reinforcement commitments to NATO. This is the result of continuing shortages in a number of interrelated areas: readiness and availability of support units, POMCUS fill, strategic lift, theater war reserve stocks of preferred munitions, equipment, spare parts, and deployable medical systems and medical supplies, availability of warehousing to support prepositioning, other theater shortage programs, and host nation support.

Each of these items must be continually addressed because they are so closely related. Efforts to make improvements in one area often yield true dividends only if accompanied by progress in others.

Increases in our POMCUS stocks, for example, must be accompanied by increases in warehouse space necessary to store those stocks. On the other hand, greater POMCUS fill can decrease our need for strategic lift that would otherwise be needed to carry equipment from the United States.

In short, we must be constantly alert to the interrelationship among various capabilities as we work to improve the overall posture.

I hope Congress will preserve the progress made during the past few years of emphasis on readiness and sustainability programs. Warsaw Pact forces deployed against the central region of NATO have 60 to 90 days of operational spares and supplies forward deployed. Our own stocks in Europe do not compare.

Serious shortages remain in certain ground and air munitions, high technology surface-to-surface rounds, and anti-radiation missiles, and in the readiness of support forces.

They are compounded by continuing shortfalls in the areas of strategic air and sealift. It is crucial that we continue to improve our existing levels of readiness and sustainability.

In conclusion, as we face the challenges of funding a viable deterrent force, we must not accept solutions that unreasonably increase the risk to western security or reduce the readiness and sustainability of our forces. American forces are deployed in Europe because it is in the U.S. national interest to do so. Those forces must be maintained and supported in a manner that allows them to face with confidence the Warsaw Pact forces deployed on the borders of NATO.

There are no easy solutions to the challenges we and our NATO allies face in deterring Soviet aggression and intimidation of Europe. And I am confident, however, that our strategic approach, so successful in the past, remains correct.

Our collective challenge is to ensure that the alliance has sufficient military capabilities to fulfill the dictates of our strategies and maintain the peace in Europe, for the first time in modern history for more than a single generation.

U.S. forces in Europe will be able to do that with the resources the President has requested in this defense budget.

On behalf of General Galvin, I ask for your continued support of America's commitment to its vital interests in the European theater as you examine the fiscal year 1989 defense budget.

Mr. Chairman, that concludes my opening remarks.

[The prepared statement of General Richards follows:]

STATEMENT BY GENERAL THOMAS C. RICHARDS

DEPUTY COMMANDER IN CHIEF, U.S. EUROPEAN COMMAND

Mr. Chairman and distinguished members of the Senate, on behalf of General Galvin, Commander In Chief, U.S. European Command, I welcome this opportunity to contribute to your examination of the Readiness, Sustainability and Support programs included in the proposed FY 89 Defense Budget. Prior to addressing European Command's Readiness, Sustainability posture, it may be helpful to outline that framework which these programs support: mission, strategy and necessary capabilities.

Mission

As Commander In Chief of the United States European Command, General Galvin is responsible for U.S. military activities in Europe and most of Africa, an area encompassing over 13 million square miles and including 77 countries -- 43% of the world's nations. As the Deputy Commander In Chief of the United States European Command, I am responsible to General Galvin for managing the day to day activities of U.S. military activities within our area of responsibility. This unique relationship exists since General Galvin, in addition to commanding U.S. forces in Europe, also serves as the Supreme Allied Commander Europe, responsible to the North Atlantic Treaty Organization. General Galvin commands the theater from his Allied Command Europe Headquarters (SHAPE) near Mons, BE while I operate from the U.S. Headquarters near Stuttgart, GE. Our mission, succinctly stated, is to deter war and to maintain the peace with freedom that the West has enjoyed for nearly four decades. The objective of all our efforts is peace.

Commitment

As outlined in President Reagan's U.S. National Security Strategy, the defense of western Europe is second only to the defense of North America in priority. Were Western Europe, location of 46% of America's overseas investment, forced into the Soviet orbit, the global balance of military and economic power would shift to the Soviets. Twice in this century the United States has entered into a world war to prevent a government, antithetical to U.S. interests, from dominating Europe. The NATO alliance, the most successful peace movement of modern times, has made a similar action unnecessary for over four decades. The United States is committed, not in an act of charity but in the defense of our own vital interests, to a peaceful and free western Europe. The most visible symbol of this U.S. commitment remains the 326,000 American service members, standing ready, shoulder to shoulder with their Alliance partners, manning credible and sustainable conventional and nuclear systems to deter all threats to peace and security.

Threat

But whom are we seeking to deter and against what are we preparing to defend? For the foreseeable future, the Soviet Union will remain the only nation able to pose a direct threat to the survival of the U.S. or the Alliance. Despite the conciliatory rhetoric of the Kremlin leadership, there has been no decrease in their conventional forces facing Western Europe, nor any slowing of their quantitative and qualitative modernization. The Warsaw Pact forces facing our outnumbered forward deployed forces are stronger than ever. In the last five years the Soviet Union has out produced the United States more than 2 to 1 in tanks and infantry fighting vehicles, and 4 to 1 in artillery. During the past three years, the USSR, by itself, has outproduced the collective NATO nations in every major category of ground weapons system. NATO is outnumbered roughly 3 to 1 in tanks and artillery and 2 to 1 in combat aircraft. Warsaw Pact Forces deployed against the Central Region of NATO have sixty to ninety days of operational spares and supplies forward deployed. Despite Warsaw Pact offensive force levels that far exceed any reasonable requirements for defense, there is no sign the Pact's efforts to expand its military power is abating. It does not appear that Perestroika and Glasnost have resulted in any redirection of resources away from the Soviet military machine.

Considering the Soviet military imbalance, coupled with their continued emphasis on modernization, prepositioning of repair parts and supplies, and offensive capabilities, we should be cautious of equating indications of greater Soviet domestic reorganization and openness with a lessening of Soviet geopolitical aggressiveness, military capabilities, or ultimate ideological goals.

Strategy

Flexible response and forward defense has been and remains the correct strategy for NATO; taking into account the ever changing mix of Alliance political and military realities. Flexible response poses three general responses to aggression:

- Direct defense seeks to defeat aggression on the level at which the enemy chooses to fight. It rests on physically preventing the enemy from taking what he wants and places the onus of escalation on him.

- Deliberate escalation seeks to defeat aggression by raising, in a controlled manner, the scope and intensity of combat including an actual or threatened nuclear response, making the cost and risk disproportionate to the aggressor's calculated gain.

- General nuclear response contemplates the use of strategic nuclear strikes to destroy an enemy's capacity and will to continue the war.

An essential element of our strategy is forward defense. We lack the depth to carry out a more traditional strategy, in which a defender facing a numerically superior force trades space for the time needed to wear down the attacker and to organize a counter-attack. Forward defense contributes to NATO's strategy of deterrence because the Soviets recognize that any aggression will be met immediately by NATO forces defending every inch of Western European soil, and they know they will be unable to attack NATO without running grave risks of nuclear retaliation. Moreover, forward defense assures each member of the alliance, including the frontline nations that their territory will be defended.

Since its adoption in 1967, flexible response has accommodated numerous changes in our equipment and force structure --- and in those of our adversary. For flexible response to remain viable, however, it must be supported by a balanced triad of strategic nuclear, theater-based nuclear, and conventional forces. In other words, to deter war --- and deterrence is our overriding objective --- NATO must possess a credible capability for effective and sustainable military response across the full spectrum of conflict.

The NATO Triad

Strategic Nuclear Forces

Over the past decade, the United States and United Kingdom have pursued vigorous programs of strategic nuclear modernization. These forces are designed to maintain a secure and effective strategic nuclear deterrent and are the cornerstone of the flexible response strategy. Continuing these programs is essential to maintaining the viability of the strategic leg of the triad.

Theater-based Nuclear Forces

For flexible response to be credible, NATO must be able to implement controlled escalation through the selective employment of theater-based nuclear weapons. For the nuclear option to be effective, these forces must provide a wide range of options and be based throughout Allied Command Europe to demonstrate Alliance unity while denying conclusive preemptive strike calculations by our adversary. We must also possess sufficient capabilities to make the Soviets uncertain as to the precise nature or timing of NATO's response to aggression.

The INF treaty now being considered for ratification will eliminate PII's and GLCM's, but a substantial number of nuclear weapons will remain in the Allied Command Europe area. NATO will still have in Europe nuclear-capable aircraft, Lance Short-range ballistic missiles, and artillery systems that can deliver nuclear weapons. Submarine-launched ballistic missiles of the United States and the United Kingdom will remain available to General Galvin. we also should not fail to consider the contribution to deterrence of the independent nuclear forces of France, which, although not part of NATO'S integrated military structure, nevertheless complicates considerably Soviet planning.

General Galvin is convinced that the INF treaty should be ratified. Although the treaty enhances NATO security in several ways, it does carry some risks - but they are risks that can be minimized or avoided, if given proper attention. We are concerned that the treaty could generate a sense of euphoria that stops NATO's ongoing process of modernization of weapons, equipment and military construction, or improving our readiness and sustainability posture. It could lead some to advocate a withdrawal of all nuclear weapons from Europe, or create a perception that NATO is somehow less cohesive or less committed to defense. General Galvin and I believe we can and will overcome these transitory disadvantages. To put it another way, if modernization and improved readiness and sustainability proceeds as planned, NATO's strategy of flexible response and forward defense will remain viable, and we will still be able to carry out our mission of deterrence and defense. However, I need to emphasize that continued modernization and support enhancements in Europe are considerations entirely apart from the INF treaty. In the highly competitive, technological world of today it would be a mistake to neglect the need to update our defensive capabilities and facilities.

Conventional Forces

The INF treaty has focused attention on the importance of the last leg of the NATO triad - conventional forces. NATO has never had sufficient conventional capabilities; instead we have relied heavily on nuclear weapons, even though the Soviets achieved nuclear parity with the West in the 70s while continuing to build an ever-stronger conventional dominance.

While we do not need to match the Warsaw Pact man for man or tank for tank, we do need a conventional capability strong enough and sustainable enough to frustrate aggression and increase the time before nuclear weapons would have to be used. Such a capability would preclude a hasty decision to use nuclear weapons and enhance NATO's strategy of flexible response. Deterrence would be more credible because Soviet planners could not be sure of gaining their objectives so swiftly that NATO would be unable to consider with some deliberation the use of nuclear weapons. Robust, ready and sustainable conventional forces also demonstrate the collective will of alliance members to make the sacrifices necessary to ensure western security, thereby adding to the credibility of NATO's overall deterrent posture. Finally, strong, ready and sustainable conventional forces would bolster the self-confidence of NATO nations and ensure that the Soviet Union would remain unable to intimidate or coerce Western Europe in order to obtain political, economic, or military concessions.

FY 89 Budget

One of USCINCEUR's primary tasks is to identify the capabilities necessary to accomplish his assigned mission, to identify existing shortfalls, and to develop solutions. General Galvin has worked closely with Secretary Carlucci, Admiral Crowe, and the Service Chiefs to develop a budget that provides sufficient resources to maintain the minimum necessary deterrent and combat capabilities of the European Command.

Throughout the budget formation process, General Galvin's message has been the need for a balanced approach across the budget and within each pillar of defense: readiness, sustainability, modernization and force structure. A balance must be achieved that not only provides a sufficient number of systems, but also the people, training, support, and facilities necessary to operate, train and repair those systems. We are convinced the current budget provides European Command a balanced package of deterrent capabilities which, despite reduced funding, minimizes the increased risks. Key programs have been preserved, as has the progress we have made recently to improve our readiness and sustainability posture. We also have proposed prudent investments for the future recognizing that modernization of our forces is a continuous challenge that cannot be postponed without incurring greater risks and higher costs later. Most importantly, we have avoided the temptation to provide a budget which would return us to the "hollow" force structure of the 70s.

This was not accomplished without cost, however. The constrained resources have forced some hard decisions on the future of many programs. Although they represented important capability increases, many programs were terminated. Rather than stretch all programs, which would increase costs and slow the delivery of the systems to the field, lower priority programs were cancelled to provide necessary funds for the more important capability requirements. Considering both the needs of European Command and the resources available, the FY 89 budget achieves both the necessary balance and support for the European Command. General Galvin and I urge your support in funding its proposals.

Readiness and Sustainability of Our Forces

We all recognize that it is one thing to update our weapon systems, but quite another to ensure that they will be supported sufficiently to maintain the level and duration of combat operations necessary to achieve our strategic objectives. Thus, I must stress the continued need for a balanced program of readiness and sustainment improvements.

This is particularly important in the case of our forces in Europe, elements that occupy forward defensive positions and would have to fight heavily outnumbered against the Warsaw Pact's assault echelon.

With your support, the readiness and sustainability programs, prepared jointly by the Services and CINCs, will enable U.S. forces, within available resources, to maintain marginally acceptable levels of support. The priority readiness and sustainabilty requirements of European Command are addressed adequately in the FY 89 Budget and, while this budget will not resolve all theater deficiencies, it does preserve the progress of recent years.

Reporting Systems

While the U.S. has made substantial progress during the past several years in improving the readiness and sustainabilty of its forces, many have asked why this progress is not always reflected in the various readiness and sustainability reports generated within the Defense community. Allow me to provide my perspective on this issue.

Despite the significant progress made toward developing a Preparedness Reporting System, in accordance with the DoD Reorganization Act, we still lack a tool to measure credibly the import or adequacy of current Service-wide programs for a specific theater or to assess fully the future effect of proposed budgets within the theater. Specific theater allocation of resources contained within the proposed budget is not always discernible. Additionally, none of the current reporting systems are intended to accomplish these functions. Our current systems are tools for military commanders to manage and monitor the present status of their forces and assess how well subordinate commanders have utilized their resources. These reports serve a very useful purpose in alerting commanders to potential problems and assisting them in focusing efforts on areas where management remedies are needed. Although current systems are useful management tools for illuminating today's readiness and sustainability posture, they do not lend themselves to historic trend comparisons seeking to portray warfighting capability changes over time.

Despite the progress made in improving European Command's readiness and sustainability posture, the previous year's and emerging ratings have remained basically unchanged. These ratings indicate the forces in Europe are combat ready, with some deficiencies. Since these ratings were designed as internal management tools, they are neither fully nor exclusively sensitive to changes in stockage levels or capability improvements.

During the past six years, virtually every major land and air combat system in the theater has been modernized. Because of the methodology used to calculate ratings, this necessary introduction of modern, more effective and capable systems often lowers readiness and sustainability ratings during the transition period and the early years of deployment. As systems are modernized or new systems are introduced, it takes a considerable amount of time and resources to build towards the new required readiness and sustainability levels. Finally, an additional caution concerning ratings. Many times, rating requirements will reflect a system as being not combat ready because of a peacetime safety limitation that would be overcome quickly in event of a crisis. For example, an ambulance without a rear view mirror would not be rated mission ready but, before the first shot was fired, that same ambulance would be on the road to assume its wartime mission.

These limitations with the reporting systems are well recognized within the Defense community, and laudable steps are currently underway to expand and improve the manner in which we assess and report theater readiness and sustainability levels. Given the narrow purpose and, therefore, inherent limitations of the rating system, let me provide a Command perspective on our current readiness and sustainability posture and the necessary improvements that the FY 89 Budget will provide.

Readiness

As I mentioned earlier, the in-theater major combat forces are ready, possessing the resources and having accomplished the training necessary to undertake the majority of their wartime missions. This is a result of all Services giving a priority of effort and resources to the manning, equipping and supporting of our forward deployed forces.

OPTEMPO

As we continue implementing our key modernization programs, the requirement for training increases. Modern equipment is of little use if our troops are not able to operate them effectively. A key factor influencing their effectiveness is the level of training provided through the funding of Operations Tempo or OPTEMPO, the number of tracked vehicle driving miles, ship steaming days and aircraft flying hours which are funded each year. This funding determines how frequently and for how long we can actually operate and train with our vehicles, planes and ships. The lower the OPTEMPO funding, the less time our forces can train on their systems. Minimum OPTEMPO funding to meet European Command's training objectives is provided in the proposed FY 89 Budget and I urge your support. I must note, however, that these are in fact minimum levels. They do not provide a fully trained force, but rather the greatest acceptable level of risk.

Operations and Maintenance

Operations and maintenance funding is another significant contributor to readiness and overall combat capability. Unfortunately this resource category has become the traditional attractive target for substantial reductions as Defense budgets are cut back. In terms of buying power and considering real mission growth within the command, the Operations and Maintenance funding is approaching the low funding levels for the late 1970's. This is significant. For example, following the FY 88 deficit reduction actions, my Air Force component has been forced to absorb a 22 percent negative real growth funding from FY 87 to FY 88. Deployments for flight training had to be restructured, resulting in the cancellation of: all remaining CONUS air-to-air weapons system evaluation programs; all Constant Peg (Red vs. Blue) deployments; all remaining F-16 air-to-air weapons training detachment in-theater deployments; and a large portion of the weapons training detachment deployments for units based in the United Kingdom. Unquestionably, critical weapon qualification skill levels will suffer. The proposed FY 89 O&M levels will restore funding to the minimum acceptable level for these and other programs. Any reductions in Operations and Maintenance funding must be resisted.

Military Construction

Military construction, comprising both new construction and facility modernization, provides adequate training, work and living facilities to improve the readiness of our forces. MILCON is a major force multiplier which allows our forces to increase their mission capability without increasing their size. While our weapon systems are the most technologically advanced and manpower efficient that research and development community can make, the same sophistication increases the need for critical maintenance and support facilities to improve both the longevity and availability of these crucial systems. European Command's FY 89 MILCON program will make significant contributions to enhancing readiness by constructing secure command and control facilities, providing bare minimum maintenance facilities for our most modern tracked vehicles and attack helicopters, developing a necessary combat maneuver training complex, ensuring adequate on-base housing, and reducing the number of overcrowded and deteriorating schools. I am discussing our MILCON requirements, in detail, with the MILCON Subcommittees of both the House and the Senate and urge your support to these necessary readiness enhancements.

Sustainability

Sustainability, from European Command's perspective, is inseparably linked to our readiness posture and to our ability to maintain the necessary level and duration of combat activity to deter war, or if necessary, to fight conventionally. Specific personnel, equipment and stockage requirements, for both in-place and reinforcing forces, have been established for the theater and we continue to grow towards attaining those requirements.

Despite the past three years of increasingly austere Defense budgets, progress has continued in improving our overall sustainability levels. While General Galvin and I would prefer higher levels, the FY 89 Budget preserves the overall progress of the last few years. With this Committee's support we will continue the fill of our POMCUS stocks, make essential upgrades to manage better our prepositioned equipment and the reception and onward movement of U.S. reinforcements, and approach the delivery of the C-17 transport aircraft. Our capability to reinforce Europe will improve substantially as well, largely due to recent increases in the levels of Wartime Host Nation Support that will be provided by our Allies. The recent Collocated Operating Base (COB) agreements, making European airfields available to U.S. reinforcing air units during wartime, and thereby greatly reducing the number of aircraft at any one base, will complicate Soviet plans.

We remain, however, unable to meet fully our reinforcement commitment to NATO; providing 10 divisions, 60 reinforcing tactical aircraft squadrons and a Marine expeditionary brigade within 10 days of mobilization. This is the result of continuing shortages in a number of required, interrelated areas: readiness and availability of support units; POMCUS fill; strategic lift; theater war reserve stocks of preferred munitions, equipment, spare parts, deployable medical systems and medical supplies; availability of warehousing to support prepositioning and other theater storage programs; and U.S. financed aspects of host nation support. Balanced progress must continue in each of these areas. Because they are so closely related, efforts to make improvements in one area often yield true dividends only if accompanied by progress in others. Increases in our POMCUS stocks, for example, must be accompanied by increases in warehouse space necessary to store those stocks. On the other hand, greater POMCUS fill can decrease our need for strategic lift otherwise needed to carry equipment from the United States. In short, we must be constantly alert to the interrelationship among various capabilities as we work to improve the overall posture. Let me summarize the significant contribution of several key programs.

War Stoppers

Our stockage of essential war materials determines how long a conventional defense in Europe can be conducted. Although there has been continual improvement over the last five years, many of our stockage levels are not sufficient to meet agreed U.S. or NATO standards. War stoppers are those Prepositioned War Reserve Materiel Stocks (PWRMS) that are identified as absolutely essential to sustaining conventional combat through the first days of the war and whose current in-theater stockage levels are significantly below established requirements. European Command's current war stopper list includes items within all classes of supply.

There are shortages in both threat oriented and level-of-effort munitions, and in almost all categories of missiles. Especially critical shortages exist for air defense, anti-armor, and anti-ship missiles. New technology munitions for the 155mm and 8-inch artillery systems are also in short supply.

Significant shortages in major end items (tanks, helicopters, infantry fighting and cargo handling/carrying vehicles) are compounded by shortages in replacement assemblies and repair parts needed to keep the equipment operating. There are stock shortages of needed replacement engines, transmissions, aircraft boom assemblies and other spare parts. Significant shortages in the Air Force WRSK/BLSS severely impact our ability to sustain air combat. The current war stopper shortages also include many categories of medical assemblages and material, and chemical defense equipment.

The funds provided in the proposed budget will enable us to continue progress in reducing many of these shortages over the next few years. But, as much of programmed resources are projected for FY 90-92, it is imperative that the FY 89 funding be supported fully. We must continue our effort to increase these supplies if we are to avoid weakening our defense posture. Shortages of key items would hinder seriously a successful defense.

POMCUS

A critical aspect of the theater's deterrence capability is the ability to reinforce rapidly. The strategy to meet that national commitment includes a mixture of forward deployed units, prepositioned equipment, and strategic lift. POMCUS, the prepositioning of combat and support equipment, remains a crucial element in that mix. The purpose of POMCUS is to forward position equipment for six CONUS based divisions ear-marked to reinforcing Europe, so that in time of crisis only unit personnel and a minimum of equipment, will require airlifting to Europe. Over the years, the POMCUS program has continually improved, yet there is still a lot of equipment to be procured and prepositioned. As we proceed to increase the fill of POMCUS, and we would make adequate progress with the FY 89 Budget support, we also proportionally reduce the requirements for air and sea lift. Completing the POMCUS program will reduce significantly the number of aircraft and ships required to support the initial reinforcement effort. If mobilization occurred today, a substantial portion of our lift requirements would be dedicated to transport equipment and supplies that are scheduled but not yet prepositioned in POMCUS.

Lift

Given this significant POMCUS shortfall, the U.S. military does not have sufficient air or sea lift to place the required forces in Europe to meet our national reinforcement commitment. Senator Denton's second Report of the Commission on Merchant Marine and Shipping expressly cited that insufficient strategic sea lift exists to execute a major deployment in support of contingency operations. Continued shortfalls in air lift are also well documented. We must continue to alleviate this problem of insufficient lift by increasing the levels of prepositioned equipment and supplies and by enhancing lift capabilities. Regarding the latter, we urge your continued support for such programs as the Navy's SEASHELS/flatrack equipment enhancements for container ships and production of the Air Force's C-17s to meet a FY 92 initial operational capability. By simultaneously reducing requirements and increasing assets, a prudent level of air and sea lift capability enhancements is obtainable within the next few years.

Combat Service/Combat Service Support

The logistics structure available to sustain U.S. combat forces during the early days of a crisis or conflict in Europe is another critical component of successful defense. Most of the Combat Support and Combat Service Support personnel, those individuals so necessary to sustain the combat forces, are in the Reserve and Guard Force Structure. These units make up a substantial portion of the U.S. Army forces that are required to be deployed to Europe to support and sustain our committed combat forces. However, our logistics organizations are currently incapable of supporting the forces presently in Europe, much less any reinforcing units. The support units in-theater are undermanned and would require thousands of additional troops on the day mobilization begins to meet necessary manning levels. Support for reinforcing units is also a problem, since most is to be provided by reserve component units, many of which are undermanned and not equipped to perform the tasks for which they were formed. While the readiness, availability, training and equipping of these forces continues to improve, we still have a long way to go before current deficiencies are reduced significantly. The Army is involved fully in addressing this issue and I ask for your continued support in funding improved availability, readiness and sustainability of our Reserve and Guard Forces.

Medical

Adequate medical facilities and a reasonable evacuation policy greatly enhance sustainment of the force by providing needed medical treatment and reducing the number of combat injured personnel that would be required to be returned to CONUS. Proximate in-theater care is the most effective investment for replacement of combat power. Current resources for medical readiness and sustainability severely constrains the number of casualties who can be returned to duty through in-theater treatment. Proposed program funding which will build on the FY 89 funds through FY 92 would allow extension of the in-theater treatment period. While this is an improvement, what is really required is a relatively modest additional investment ($45M) to achieve a 30 day proximate in-theater treatment capability. This funding would pay large dividends in two ways: allow the return to duty of the equivalent of two additional trained divisions and significantly reduce the number of airlift sorties required for evacuation and replacement personnel Request that, as part of your readiness and sustainability hearings, you give serious consideration to providing European Command a 30 day in-theater evacuation capability.

Alliance Contributions

It is important to note that, in addition to our own budgetary actions, our Allies also are making substantial contributions to support an improved readiness and sustainability posture. We have made progress also in obtaining additional host nation support. We have been greatly assisted by new Allied agreements to provide for reception, onward movement, and other logistical support that will be needed by deploying U.S. forces. We are now in the implementation phase of a program through which 93,000 West German reservists are dedicated to accomplishing U.S. support requirements.

The 1984 decision by NATO to double the size of the common-funded infrastructure program to over $10 billion for the period 1985-1990 also has been a step forward. This increase is providing urgently needed facilities, including hardened shelters at reinforcement airfields, theater reserve storage warehouses, ammunition storage facilities, and upgrading of airfields and naval bases. The commitment by NATO's Defense Ministers to raise the level of ammunition stocks should also improve readiness in coming years, and Alliance acceptance of the long term planning guidance for Follow-on Forces Attack (FOFA) is a promising development.

Taking Proper Care of Our People

Although the systems and supplies are necessary ingredients, the key part of the readiness and sustainability picture is the individual Americans who have volunteered to serve our Nation. I know you are committed to taking proper care of our Soldiers, Sailors, Airmen, Marines, and their families by providing them adequate compensation, medical care, housing, and family care. We must also ensure reasonable working and living facilities. Of equal importance, we must afford them the satisfaction that comes from rigorous training, from being a part of an ably-led team, and from knowing that their country and its civilian leadership truly care about them.

Our young men and women in uniform serve with loyalty and discipline so that their countrymen may live in peace and security. They accept conditions and make sacrifices that would be intolerable in the private sector. They accept these sacrifices willingly, and take pride in helping defend our country and our way of life. Recent budget cuts already have forced us take a number of difficult steps: to extend tours overseas; to delay promotions; to divert some troops from training to base operations activities; to reduce family support programs, and recreation centers; to cut funding of morale, welfare, and recreation facilities and activities; and to delay or cancel needed Department of Defense School construction. To offset the budget cuts in morale, welfare, and recreation activities, we have had to close facilities, reduce staffing, and increase recreation center rates by 25%.

Troops in Europe have also had to contend with a falling dollar, which over the last two years, has cut in half their discretionary income. One small but important example illustrates the effect of the dollar's slide: two years ago a twenty minute phone call to distant families in the United States from Germany cost $35; today, with no increase in German telephone rates, that same important call now costs over $60. Additionally, we have had to raise the price of many Army-Air Force Exchange System items by 15-20%, and impose user fees for all youth activities.

For many of our junior enlisted personnel, a tour to Europe has become even more of a sacrifice than it was in the past.

Any additional funding reductions would compound the effect of the decline in the dollar and could have a very adverse effect on the morale and efficiency of our service members and their families, making our retention efforts more difficult than they have been since the late 1970s. We should not allow any further reductions in currently funded people programs. I strongly urge your full support in this necessary area.

Conclusion

In summary, I ask for Congress's continued support to preserve the progress made during the past years of emphasis on readiness and sustainability programs. Today, Warsaw Pact forces arrayed against the Central Region of NATO have forward deployed sixty to ninety days of operational spares and supplies. Our own stocks do not compare. Serious shortages remain in needed ground-to-air munitions, high technology surface-to-surface rounds, anti-radiation missiles, and in the readiness of support forces. These concerns are compounded by continuing shortfalls in the areas of strategic sea and air lift. It is crucial that we continue to improve our existing levels of readiness and sustainability and resist the temptation to make the high visibility funding cuts in readiness, sustainability and MILCON programs. The credibility of our deterrence, how our adversaries perceive our will and capabilities, and our own warfighting capability, are no stronger than our ability to achieve and maintain the level and duration of combat necessary to achieve our objectives of maintaining peace with freedom.

Senator DIXON. Thank you very much, General.

Our next witness will be Maj. Gen. Christian Patte, U.S. Army Director of Logistics and Security Assistance, U.S. Central Command. And I welcome you back again this year, General Patte. You are getting to be a regular witness here. We are delighted to have you again.

STATEMENT OF MAJ. GEN. CHRISTIAN PATTE, U.S. ARMY, DIRECTOR OF LOGISTICS AND SECURITY ASSISTANCE, U.S. CENTRAL COMMAND

General PATTE. Thank you very much. I do appreciate the opportunity again to come back and tell you about the current wartime readiness and sustainment posture of the U.S. Central Command.

Like my predecessor, I will present a short overview of my prepared statement, and of course we can get into the real nitty-gritty during the open and closed questioning.

Senator DIXON. Incidentally, have you offered your complete statement for the record in each case, because they all will be admitted in full in the record? And I thank you, General Patte.

General PATTE. Sir, as you are very much aware, CENTCOM and its forces have undergone a considerable transition since I testified in early March of 1987. At that time we had in the Arabian Gulf a rather modest naval force of six ships and 2,100 people.

Since then, as we have been conducting escort missions to protect U.S. flag shipping in the gulf and I might say we are finishing up mission number 40 as I speak, our forces have grown to a large joint task force of 34 combatant and support ships, 30 helicopters, and 16,000 people during the peak of last December.

Logistical support of these operations in a theater thousands of miles from the United States, with no U.S. bases in the area and carefully orchestrated host nation support, has been an enormous challenge. But I can report to you today that the readiness of these forces and their capability for sustained operations have continued to be at the highest levels. No operation has been cancelled, delayed, or degraded on account of logistical support.

I would like to briefly discuss two specific examples. For example, we were initially quite worried about using the special Army helicopters over water in such an unconventional manner. Because of salt water corrosion, dusty atmosphere, and the extreme heat, we thought we would have to practically rebuild these aircraft after the operations in the theater.

However, with strict maintenance procedures, these aircraft have proven themselves to be a formidable and very dependable asset. The cumulative readiness rate for all aircraft in the theater has exceeded 90 percent. And I should add that most of the missions have been flown at night, with maintenance being conducted during summer days with temperatures of about 140 degrees in the shade.

Additionally, the old and venerable ocean minesweepers of the 1950 vintage have more than held their own since arrival in October of 1987. Parts availability has been superb on both coasts and, by using host nation facilities in theater, we continue to do unscheduled maintenance as well as overhaul of major components.

We expected great problems with these wooden hulls, the old engines, and cranky electronics gear. But the availability and readiness of the MSO's is another success story.

These experiences are a source of great pride to the service members in the gulf and to us back here at home, and they do point to the real success of what we see as joint logistical operations. We have seen repair parts for Army helicopters delivered to Bahrain by Air Force aircraft, forwarded to a Navy barge in the gulf by Marine helicopters, and all of it working extremely smooth. Jointness is working in the gulf.

But as you well know, the gulf is not our only preoccupation, and we must also consider the Soviet threat in the area and be planning for larger contingencies whose logistical demands obviously would dwarf those of today's operations.

This brings me to the subject of readiness, sustainability, and facilities. Our combat forces continue to be in good shape. The Army's divisional forces, with their organic support, are ready to deploy. The Air Force now is capable of meeting over 95 percent of their assigned sorties for combat. All ships reporting to the Navy component are fully combat ready, and the Marine forces continue to report C-1 or C-2 ratings.

In a nutshell, the readiness of our combat units continues to portray an upbeat picture. We do still have some long poles in the tent, when we examine the Army's combat service support and combat support non-major units, although I must report to you some real progress since my last appearance before you in that specific area.

The status of some of our combat support and combat service support units does continue to cause us some concern, principally in the areas of personnel, training, and individual training.

As you might recall, about 56 percent of these units are in the Reserve components, and of course these are the troops that drive the supply trucks, lift the ammunition, repair the tanks, and treat the wounded.

As I said, we have had some real improvement in filling equipment shortages over the last 12 months. Last year in my testimony, I reported that 21 percent of our Active and 39 percent of our Reserve units were not combat ready due to equipment problems.

This year the figures are down to 8 percent and 19 percent respectively, we think a very significant improvement to the support units. This improvement is largely due, I might say, to the Army's redistribution program, which has cross-leveled equipment into non-combat ready units.

The dedicated procurement program which Congress approved last year for the Reserves will also procure additional selected items exclusively for the Reserves, and we should see further impact next year as that equipment begins to roll off the production lines.

In the personnel area, we have only seen slight improvement in the Active Army. The Reserve posture has stayed relatively constant and now reflects about 30 percent of the combat service and service support units as not combat ready for personnel.

Here the primary reason for this degradation continues to be personnel qualifications. The training site program being completed now by the Army will go a long way to help solve this problem. Six of the 21 sites, an increase of two over last year's, are now opened, and we seek your continued support for this program to enhance the training of our Reserve forces.

I would like to turn to the subject of sustaining our forces now. Some progress has been made, but this is an area that, because of the long procurement lead times and the enormous expense, has no easy and quick solution. The most expensive of our war reserve categories is that of supplies and equipment.

Here we expect an improvement of only about 2 percent this fiscal year. For the Army, this gets us to about one-third of the total requirement.

The Air Force component is now fully capable of meeting all current operational requirements. However, the funding in the future levels of WRSK, the war readiness spares kit, will be inadequate to support F-15 and F-16 sorties at the required levels in the 1990-1991 out year time period.

There was no increase in petroleum war reserves since there was no fiscal year 1987 funding appropriation. We are at about 38 percent of our requirement today. We will receive some allocation of the funded war reserve POL in 1988, and we continue to have a significant shortfall in war reserve levels for what we call level of effort munitions, particularly in the modernized artillery rounds.

Our major concern in the threat-oriented missile category is with the air-to-air missiles, where we have only about 40 percent of the medium range missile requirement.

And finally, in the medical support area, we have increased the number of hospital beds available in the theater from 30 percent last year to 51 percent this year. You adequately funded this program in fiscal year 1988 and we seek your continued support, which will fix this shortfall by fiscal year 1991.

Our pre-positioned stocks show some improvements over last year. Very important, we have tripled the amount of petroleum reserves in the area of operations with new storage which became available last year in Bahrain. We have an additional 23 percent of the requirement awaiting host country approval today in several other locations.

Our supplies and equipment pre-positioned have now reached about 60 percent of the grand total requirement, and we are now in the process of relocating as I speak about 2500 short tons into another forward location in the gulf. Negotiations for additional prepositioning continue with several other countries in the area.

I might mention that we often use our pre-positioned stocks on exercises for two purposes: it exercises the equipment and it saves considerable airlift during the exercise.

In last year's BRIGHTSTAR 1987 exercise which took place in Egypt, Somalia and Jordan, for example, we saved 14 C-141 sorties to the tune of about $1.1 million by using our pre-positioned gear.

In summary, Mr. Chairman, I believe our current operations in the gulf are evident proof that our combat forces are well supported and ready to fight. Our remaining concern, however, is whether we can support a much larger contingency in sustained operations to the degree we would like.

I again express my appreciation to the members of the subcommittee, who obviously share these concerns for readiness and sustainability. With the current funding atmosphere, I frankly do not envy your duty as you seek to make the right decisions for national security.

We at CENTCOM do thank you for your past support of the very important aspects of our force projection.

Mr. Chairman, I stand ready during the next period to answer your detailed questions.

[The prepared statement of General Patte follows:]

PREPARED STATEMENT OF MAJOR GENERAL CHRISTIAN PATTE, DIRECTOR OF LOGISTICS AND SECURITY ASSISTANCE, U.S. CENTRAL COMMAND

There have been many changes and challenges in the U.S. Central Command in the last year. Operations in the Persian Gulf during the last eight months have tested our ability to react to a short notice mission and tailor our logistics support to the unique requirements that resulted. In general, our support posture in readiness and sustainability has improved. We need continued support of the congress to complete ongoing improvements.

PERSIAN GULF OPERATIONS

During the last eight months USCENTCOM and its components have expanded day to day logistics activities in our theater to support the tanker escort operation. Expanded resupply was established for the Joint Task Force, to include a Ready Supply Store (RSS) and warehouse ashore while additional underway replenishment of ships was begun. The cooperation and coordination among the services has been superb. Initial support and resupply was heavily dependent on airlift. Sea based support has now been established and it is the predominant and least cost method of replenishment and resupply. These operations have been a major joint logistics success.

FORCE COMPARISON

	MAR 87	(PEAK) DEC 87
PERSONNEL	2,100	16,200
SHIPS	6	34
HELICOPTERS	3	39
BOATS	0	24

Interestingly, the initial heavy dependence on airlift and subsequent shift to sealift is the exact situation we would expect to encounter in responding to a major crisis. Consequently, support to Persian Gulf Operations has helped us to plan and prepare for our larger primary mission of warfighting.

SUMMARY OF READINESS

ARMY

Our apportioned Army combat units continue to maintain their capability to deploy, build combat power, and fight. The readiness status of the non-major support units, though improved from last year, continues to be of concern.

EQUIPMENT. Eight percent (8%) of active component CS/CSS units and 19% of reserve component units report not combat ready for equipment. While this equipment readiness posture is substantially improved over last year, these readiness levels limit full accomplishment of our mission.

USARCENT NON MAJOR UNITS EQUIPMENT-ON-HAND STATUS

AC/RC UNIT MIX	PERCENTAGE NOT COMBAT READY 1987
• COMBAT SUPPORT	
•• 51% ACTIVE COMPONENT	11%
•• 49% RESERVE COMPONENT	17%
• COMBAT SERVICE SUPPORT	
•• 41% ACTIVE COMPONENT	7%
•• 59% RESERVE COMPONENT	20%
• CS/CSS	
•• 44% ACTIVE COMPONENT	8%
•• 56% RESERVE COMPONENT	19%

Three ongoing parallel resourcing actions account for the improvement of equipment on-hand readiness of the CS/CSS units. First, the Army Cross Leveling Program uses equipment redistribution to upgrade some of the non-combat ready units. Second, the

Dedicated Procurement Program procures equipment and dedicates it exclusively to the Reserve Components. Last, the Army funded $102M in FY88 for the procurement of equipment for the high priority, early deploying CS/CSS units. The impact of this program will be felt with delivery of equipment, starting next year.

PERSONNEL. Manning of USCENTCOM's Army non-major Reserve Component CS/CSS units with properly trained or qualified personnel is the most significant issue faced in working the challenge of personnel readiness in reserve units. (Most of the non-major Army Reserve Component CS/CSS units reporting not-combat-ready cite the lack of trained or military occupational speciality (MOS) qualified personnel as a factor degrading unit readiness). As the chart below depicts, our major concern is that these reserve units make up over 50% of our total CS/CSS capability.

USARCENT NON MAJOR UNITS
PERSONNEL STATUS (CS/CSS)

AC/RC UNIT MIX	PERCENTAGE NOT COMBAT READY 1987
• COMBAT SUPPORT	
•• 51% ACTIVE COMPONENT	11%
•• 49% RESERVE COMPONENT	31%
• COMBATSERVICE SUPPORT	
•• 41% ACTIVE COMPONENT	16%
•• 59% RESERVE COMPONENT	29%
• CS/CSS	
•• 44% ACTIVE COMPONENT	14%
•• 56% RESERVE COMPONENT	30%

The chart below details type unit personnel problems. Unfortunately, there are no quick answers or easy fixes to the personnel problems displayed. Chemical, signal, military intelligence, and maintenance Reserve Component units are particularly troublesome and show little or no improvement between FY86 and FY87.

USARCENT NON MAJOR UNITS PERSONNEL STATUS

	PERCENTAGE NOT COMBAT READY	
	1987	
	% AC UNITS	% RC UNITS
• COMBAT SUPPORT		
•• CHEMICAL	0	64
•• MILITARY POLICE	14	20
•• ENGINEER	12	31
•• SIGNAL	0	36
•• INTELLIGENCE	50	50
• COMBAT SERVICE SUPPORT		
•• MAINTENANCE	7	44
•• TRANSPORTATION	11	27
•• ORDNANCE	11	29
•• QUARTERMASTER	23	32
•• MEDICAL	28	24
•• CIVIL AFFAIRS	0	0
•• ADJUTANT GENERAL	25	0
•• LOGISTICS GROUP	50	0
•• FINANCE	0	0

When one looks at the major reasons units are reporting not combat ready for personnel, the results are somewhat surprising, as the primary disqualifier is skills, not strength.

USARCENT NON MAJOR UNITS PERSONNEL STATUS (CS/CSS)

	% OF RC CS/CSS UNITS NOT COMBAT READY	
REASONS NOT COMBAT READY	1986	1987
MOS QUALIFICATION	30%	26%
STRENGTH SHORTAGE	16%	15%
SHORTAGE SENIOR GRADE	11%	10%

NOTE: SOME UNITS REPORT NOT COMBAT READY FOR MORE THAN ONE REASON

The Army's Regional Maintenance Training Site Program is one means of countering the adverse effects produced by the lack of qualified personnel. This program provides direct/general support sustainment and transition training in maintenance specialties at facilities throughout the country. Presently, the Army is operating 6 of the 21 facilities it plans to open by FY 91. (This is an increase of two from those operational last year.) These facilities are an important element in the effort to correct the speciality qualification problem. Continued support of this program is essential to improvements in CS/CSS readiness.

AIR FORCE

All air forces designated for USCENTCOM are in a satisfactory state of readiness and all are mission capable. The USAF reports that they are capable of meeting in excess of 95% of their required sorties. This is directly attributable to the excellent funding the USAF has revieved in past budget years. Spares availability is robust for the close term. But, our ability to conduct sustained operations is somewhat hampered by shortfalls in air-to-air missiles, precision guided munitions, and spares. These subjects will be discussed in the sustainability paragraphs.

NAVY

Assigned naval forces are 100% combat ready this year as they were last year. The Commander, U.S. Naval Forces Central Command, provides administrative and logistics support to naval forces operating in the Persian Gulf and exercises operational control of Naval forces in the area of responsibility not under operational control of the Commander Joint Task Force Middle East (JTFME).

MARINE CORPS

Marine Corps units continue to maintain their consistently high levels of combat readiness, and periodically deploy and train in the oceans adjacent to the USCENTCOM area. The Maritime Pre-positioning

Ships (MPS) Squadron TWO, consisting of five uniquely configured cargo ships deployed to Diego Garcia, complements our amphibious lift capability. These ships are loaded with unit equipment and supplies to support a 16,500-man Marine Expeditionary Brigade (MEB) for 30 days. This program provides the resources to establish an initial combat capability of a MEB size force in 5-7 days. Lessons learned through periodic exercises of the MPS have enabled us to refine procedures which continue to improve this relatively new capability.

SPECIAL OPERATIONS FORCES (SOF)

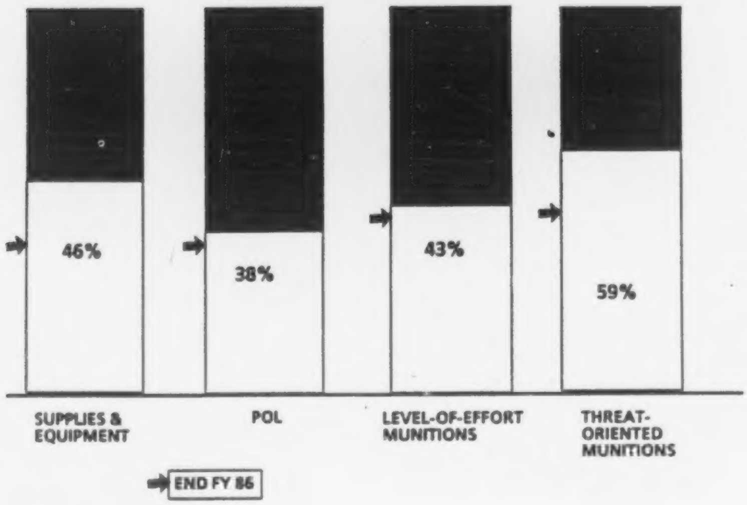
Ranger units and naval special warfare units are fully mission capable. USAF SOF units have experienced some readiness degradations due to aging equipment, notable in airlift assets. In this respect, the FY 88-89 Budget will provide 7 MC-130's and 5 AC-130s. It also provides money for the upgrade of MH-53 PAVE LOW helicopters, a program scheduled for completion in FY90. Finally, the FY 88 appropriation of $3.9M sustains development for the CV-22, a SOF mission configured OSPREY.

SUSTAINABILITY

An essential element of successful force projection is sustainability; the staying power of a military force once it is deployed. The most significant aspect of this element is materiel sustainability which is composed of several interdependent elements including theater pre-positioning, afloat and ashore, and depot stocks in CONUS, reserved for USCENTCOM.

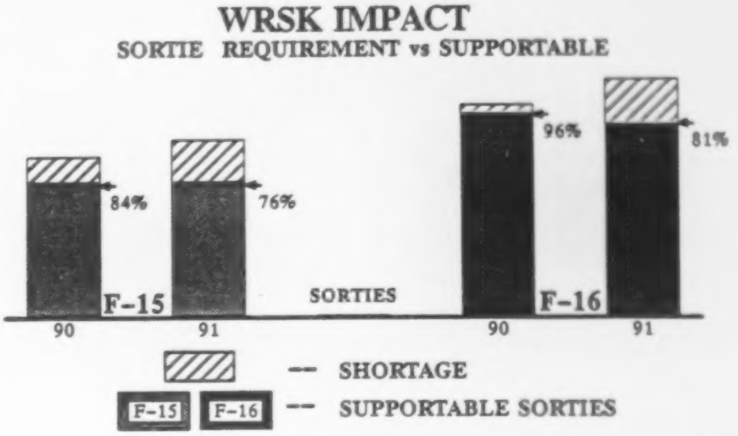
Shown below is a comparison of the current and previous year materiel sustainability postures. (Ending FY86 data is indicated by the arrow on each column.)

SUSTAINABILITY



SUPPLIES AND EQUIPMENT

The significant difference in on-hand percentages between this year and last year's figures in the supplies and equipment column of the chart does not reflect actual growth of the total stocks on-hand. Rather, the chart now reflects more accurate reporting and changes in requirements. The low stockage levels of War Reserve Materiel (WRM) for USCENTCOM's Army component continues to be the area of most serious concern. Current and anticipated resources for sustainment will only achieve one-third of the Army requirement. Funding levels of Air Force War Readiness Spares Kit (WRSK) are inadequate to support required F-15 and F-16 sorties over the long term. While today we can fly the missions because of previous FY purchases, the chart depicts the projected sortie shortfall in the FY 90-91 delivery period. Stockage levels in the Navy and Marine Corps continue to be maintained at relatively high levels.



POL

The second column in the sustainability chart displays our status for POL. The 1% improvement over last year is the result of reallocation of stocks between unified commands. Our stockage shortfalls are attributable in large degree to a lack of available storage facilities. We have several ongoing initiatives to obtain leased storage in the area and subsequently improve our sustainability posture. The overall POL shortfall, however, would still be a major problem for sustained operations.

MUNITIONS

Although munitions sustainability has shown some improvement over the last year, the posture, especially for Level-of-Effort (LOE) munitions, continues to be a genuine concern. In FY87 on-hand stocks of LOE munitions improved by only 1 percent. These shortfalls are primarily in the modernized direct-fire and artillery munitions, in support of ground forces. In the area of threat-oriented (TO) munitions, the on-hand posture stands at 59 percent of our requirement. (The difference over last year results from a re-evaluation of the threat and the effectiveness of rounds. USCENTCOM has not really had a significant growth in the amount of stocks on hand.) Major concern with TO munitions continues to be shortages of air-to-air missiles. For example, the Air Forces component has 40 percent of their requirements for medium range air-to-air radar missiles. There is no fix for these problem areas short of procuring the needed stocks.

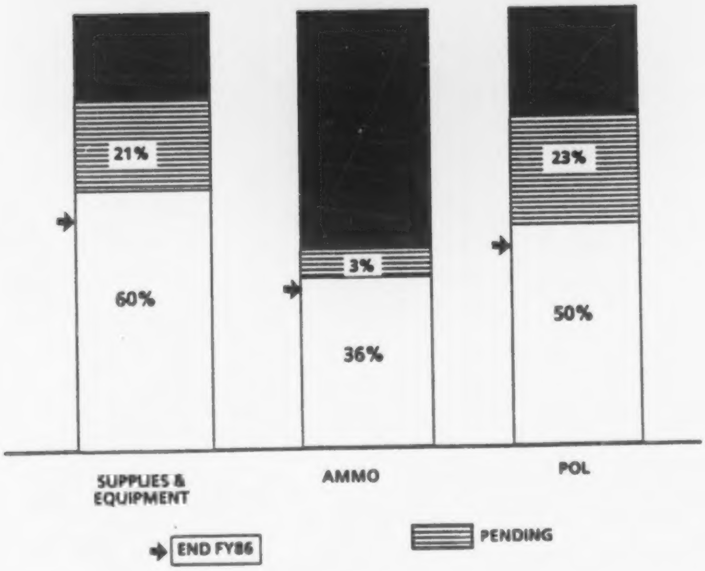
MEDICAL

Sustainment of our forces not only requires supplies and equipment but also adequate medical support capability. Hospital beds available in-theater are a key measure of our medical support posture. At present we have 51% of the required beds available for planning. During FY 88 the number of beds available will increase to 60% of requirements as a result of the allocation of a Navy hospital ship and additional Air Force beds. The shortfall in hospital bed availability would require evacuation of almost three times as many soldiers out of the theater as would be necessary if all the hospital beds required were available.

PRE-POSITIONING

War Reserve Materiel (WRM) provides sustaining supplies for combat operations. Pre-positioning a portion of these WRM stocks allows us to respond and employ forces rapidly. Pre-positioning provides essential supplies and equipment to our early deploying forces while reducing intertheater lift requirements in the initial stage of force deployment. Another advantage of pre-positioning is that it supports overseas exercises, and considerably reduces our operating costs by decreasing airlift and sealift requirements. PREPO was used during BRIGHT STAR 87 which saved us 14 airlift sorties for a one-time savings of over $1.1 million in exercise costs.

PRE-POSITIONING



We continued to place a high priority on pre-positioning WRM at, or as close as possible to, its point of anticipated use. We continue to actively pursue initiatives with several nations to increase pre-positioning of materiel such as ammunition, POL, medical sets, communications nodes, Army/Air Force bare base support equipment and Defense Mapping Agency maps and charts.

SUPPLIES AND EQUIPMENT

Last year we reported 54% of the supplies and equipment requirement pre-positioned, today it is 60%. On 26 September 1987 USCENTCOM signed an agreement with a Gulf country for storage of materiel being moved from a less desirable location much further away. Shipments started moving last month. Other improvements are primarily the result of the continued movement of materiel into Oman where we are making maximum use of our existing storage facilities. Two more shipments to Oman are scheduled this year.

MUNITIONS

The Bulk of the command's munitions requirement continues to be pre-positioned afloat. Limited amounts of munitions are prepositioned ashore in theater for USCENTCOM use. The 1 percent increase resulted from shipments to Oman and another location. Negotations are continuing to pre-position 11,000 S/T near the Gulf and additional shipments to Oman are scheduled during 1988.

POL

. As the charts indicate, there has been a 2% improvement in total POL posture over last year. Although there was no FY87 funding authority for petroleum war reserves, on hand stocks increased to 50% of the requirement as a result of the reallocation between unified commands. While total stocks owned by USCENTCOM did not change significantly, stocks in the right place did increase by almost 300 percent as DFSC was able to move 1.5 million barrels of JP5 into the Gulf. We also anticipate pre-positioning at Diego Garcia a portable ship-to-shore fuel tanker discharge system for use in austere or damaged ports.

WATER

Finally, not listed above, the world's most sophisticated weapon, the American serviceman, runs on water. For our theater, the supply of potable water is a large very significant element of combat sustainment.

The Services have developed and are fielding a new generation of water equipment to support our forcasted seven and one-half million gallons per day need.

SECURITY ASSISTANCE IMPACT

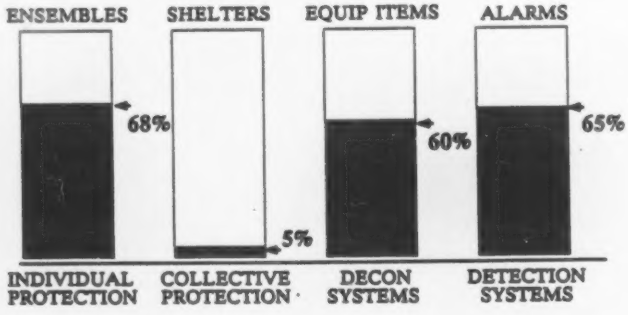
Pre-positioning continues to be a high priority in USCENTCOM. It is a cost effective means of building combat power early, while providing initial sustainment and operational flexibility. One of the direct results of our security assistance programs in the region through FY85, is that the countries of the area have become more forthcoming across the whole range of our security relationships. Our access arrangements, such as those which permit pre-positioning, enable us to rapidly project and mass US forces at key points of decision. Unfortunately, security assistance program reductions since 1986 threaten this framework of security cooperation. These reductions not only threaten the military self-sufficiency of the regional countries, but also threaten our access initiatives and our credibility as a reliable security partner.

CHEMICAL AND BIOLOGICAL DEFENSE

To deter Chemical Warfare the National Policy dictates a two fold approach. First is biological and chemical defense. Second, because defense alone will not deter enemy use of chemical weapons, we must also possess a modernized chemical retaliatory capability.

As reflected below, USCENTCOM forces are short necessary protective and warning equipment required to reduce chemical warfare casualties. All the Services have identified programs to enhance capability to fight in a contaminated environment. We need continued strong support for all chemical and biological defense programs.

CHEM / BIO DEFENSE



Second, and equally important is chemical retaliation. The current chemical munitions are old and are not sufficiently capable of effectively engaging the enemy throughout all dimensions of the battlefield. The safer binary chemical munitions coming into the inventory will enhance our ability to attack enemy targets. Continued emphasis on the binary chemical weapons program is needed to maintain an adequate chemical retaliatory capability until a credible chemical weapons ban can be accomplished.

MILCON

The USCENTCOM objective for the Military Construction Program in Southwest Asia is to provide a network of facilities to support pre-positioning of materiel, staging, and employment of U.S. forces. Examples of typical uses of these crucial facilities are:

- En route Support
- Staging
- Logistic Support
- Pre-positioning
- Fleet Support
- Support of Overseas Training and Exercises
- Communications, Command and Control

Significant progress has been made in the infrastructure for Southwest Asia which now gives us the capability to support airlift operations, pre-position supplies and equipment, conduct air operations, and provide en route support. In all, our essential facilities throughout the AOR were estimated to cost approximately $1.4 billion. The $1.1 billion funded to date represents 78% of the total USCENTCOM requirements. We need your continued support to obtain the remaining infrastructure.

In FY 88 we received $28.8 million for staging support and maintenance in Diego Garcia and for airfield enhancements, communications facilities, and additional pre-positioning storage and support in Oman. However, the most significant element of the FY 88 legislation was the authorization by Congress for the Services to program for essential construction prior to final host nation approval of specific locations. The FY 88 legislation has provided the flexibility required to allow the planning and programming process to proceed while sensitive and often lengthly government to government agreements are finalized.

In FY 89 our $31.9 million MILCON program is highlighted by two significant Army programs for which negotiations are underway, an Intermediate Staging Facility (ISF) and a theater war reserve pre-positioning facility. Both of these projects will be the first of their kind for the Army in our theater and will represent a significant improvement to our ability to quickly project and sustain our combat forces. The ISF will provide a location where forces can assemble, complete planning, and prepare for commitment to the combat zone. The storage facility will allow us to pre-position supplies and selected equipment for an Army division. Plans to use these sites for periodic training will also substantially decrease peacetime exercise airlift and sealift costs.

Congressional desires to fund only the most critical overseas MILCON projects, are understood. USCENTCOM is examining all possible alternatives, such as host nation support, commercial leasing, build-to-lease, and relocatable assets to satisfy infrastructure requirements whenever possible.

FY 89 BUDGET SUMMARY

The FY 89 budget request will continue to improve the readiness and sustainability of USCENTCOM. We request careful consideration to the critical areas described below.

SUPPLIES AND EQUIPMENT

Minimum current funding levels requested are essential, the FY89 budget of $134 million for sustainment supplies should provide an additional 3 days of supply for Army supplies and equipment.

MUNITIONS

The FY 88 budget improved our allocation of HARM missiles by 9%, Maverick missiles by 5%, AND AIM-7 by 2%. Your support of the FY89 budget submission of $825.3 million for AMRAAM, $216.1 million for HARM, $56.1 million for AIM-7, and $260.4 million for Maverick is essential to alleviate critical shortages. Similarly, support is also needed for the $31.9 million for the improved 2000 lb bomb. In addition, $2.0 billion in the FY 89 budget for Army ammunition should improve our allocation of level-of-effort (LOE) munitions and provide us with an additional two days of supply.

WATER

The FY 89 President's Budget (PB) will allow USCENTCOM to buy 30 new generation 3000 Gallon Per Hour (GPH) Reserve Osmosis Water Purification Unit (ROWPU) units to replace obsolete units. The new ROWPU also has the capability to remove chemical warfare agents or radiological contamination from a water source and can produce potable water from saltwater.

CHEM BIO DEFENSE

FY 88 appropriations of $270.5M and 89 PB request for $220.3M of O&M and procurement funding for Chem/Bio defense will provide improvement in USCENTCOM's defensive capabilities. Stocks of individual protective equipment will increase approximately 3 percent, collective protection 6 percent, decon systems 2 percent, and detection and warning systems 6 percent. RDT&E FY88 funding of $66.5M and the FY89 request for $61.7M will provide continued development of light weight (cooler) protective clothing.

In addition, FY88 appropriation of $59.3M and the FY89 PB request of $66M for the 155MM Binary Projectile program as well as the FY89 PB request for $99.5M for the BIGEYE bomb will enhance USCENTCOM's chemical retaliatory capability. Continued emphasis on the Binary Chemical program is needed to maintain an adequate capability until a credible weapons ban can be achieved.

MEDICAL

The lack or organizational equipment for Army Reserve Hospital Units is addressed in the FY 89 PB request for the Deployable Medical Systems program. This will provide equipment for 4 reserve hospital units. These units will provide a total of 1000 additional beds by FY 91, significantly improving current readiness status for these critical units.

MEDICAL AIRLIFT

Airlift requirements include evacuating patients to treatment facilities that can provide the required care. Aeromedical evacuation is the only effective means of moving sick and wounded personnel from the combat theater to the rear area medical treatment facilities. As part of the Civil Reserve Air Fleet (CRAF), the Air Force has a program which will provide dedicated civilian aircraft to help meet our aeromedical evacuation needs, thereby freeing C-141 aircraft for hauling cargo. In FY 89-91, 85 Boeing 767s are programmed to receive conversion kits which will allow us to equip each with litters, stanchions, patient oxygen, and a nurse's station. Funds have previously been appropriated for this conversion.

MILCON

The $31.9 million in the FY 89 MILCON program is highlighted by two significant Army programs: A brigade-size Intermediate Staging Facility (ISF) and a theater war reserve pre-positioning facility. Both of these projects represent a significant improvement to our ability to quickly project and sustain our combat forces. We will also be able to use these sites and stocks for periodic training which will substantially decrease peacetime exercise airlift and sealift costs.

Senator DIXON. I want to thank you, General Patte, for the conciseness and the brevity of your statement.

And I want to welcome Rear Adm. Hugh Webster, Director of Logistics and Security Assistance, U.S. Pacific Command, and thank you for being with us again this year. You are also getting to be a professional witness here, Admiral Webster.

STATEMENT OF REAR ADM. HUGH L. WEBSTER, U.S. NAVY, DIRECTOR, LOGISTICS AND SECURITY ASSISTANCE, U.S. PACIFIC COMMAND

Admiral WEBSTER. Thank you, Mr. Chairman. I have provided a written statement and would like to make a short net assessment of the Pacific Command, particularly in regard to the amended 1989 budget.

The Pacific Command is in good shape today. Our net assessment is that, in spite of several hot spots and the unrelenting Soviet military buildup, we maintain a conventional edge in the Pacific.

In making that assessment, we consider our greatest advantages to be the readiness of the U.S. forces today and the important relationships with our allies. Today the U.S. Pacific forces are ready. We have bright, dedicated and proud people with modern equipment that works.

The tempo of training maintains their high motivation and the level of proficiency. Adding to our strength is a network of alliances and friendships that provide the United States access to strategically located facilities and support from their modern, capable forces.

Faced with the difficult task of cutting some $53 billion from the fiscal year 1988 and fiscal year 1989 defense budget, we support Secretary Carlucci's priorities: people, readiness, and efficient acquisition. This will minimize the impact of our immediate readiness and war-fighting capability and, faced with a continuing Soviet military growth in the Pacific and the renewed economic and diplomatic initiatives, we are concerned for the long haul.

The Soviet force structure buildup has introduced more fighters, more bombers, additional ships, and an expanded land army in the Pacific theater. The Soviet Pacific fleet has grown to over 300 combatants. Their Pacific air forces operate over 2,000 combat aircraft, and they have 57 well-equipped army divisions in the Far East military district.

As detailed in my written statement, despite our best efforts, budget reductions will decrease slightly the tempo of operations, with a commensurate effect on our readiness, and the loss of eight frigates, 14 Army helicopters, a tactical air support squadron, and a new carrier air wing represent real losses in needed capability.

In the area of sustainability, we have made impressive gains in recent years. The exception, of course, is the number of on-hand threat munitions. The budget should provide improvements in this important munitions category. However, in most other sustainability categories, such as the level of effort munitions, war reserve spares, major end items, and fuel storage, further gains will be arrested.

Depot maintenance has taken a hit and backlogs will develop as maintenance slows. If our equipments fall before they reach their now extended overhaul schedules, then readiness will suffer.

Airlift and sealift are important to implementing our forward deployed strategy and sustaining operations. We will continue to close in on our DOD goals, albeit at a slower pace.

Military construction accounts have been reduced considerably in the Pacific theater. What remains in these accounts in the Pacific represents our highest priorities for operational and quality of life improvements. Military construction in the Philippines is a special concern. The Philippines provide us access to two strategically located bases. The Philippines requires a considerable amount of economic and security assistance to stave off the growing Communist insurgency.

In conclusion, Mr. Chairman, our past investments in the Pacific have paid off as we enjoy adequate readiness today. To an extent, we will live off those investments for the next 2 years. Beyond that, our failure to invest may result in serious risk to our future. Our forward defense strategy continues to be successful.

Thank you, sir.

[The prepared statement of Admiral Webster follows:]

STATEMENT OF
REAR ADMIRAL HUGH L. WEBSTER, USN
DIRECTOR OF LOGISTICS AND SECURITY ASSISTANCE, U. S. PACIFIC COMMAND

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE,

IT IS INDEED A PLEASURE ONCE AGAIN TO REPRESENT ADMIRAL HAYS, COMMANDER OF U. S. FORCES IN THE PACIFIC, AND TO DISCUSS WITH YOU ISSUES OF CONCERN TO US ALL -- READINESS AND SUSTAINABILITY OF PACIFIC FORCES.

TODAY'S CLIMATE DEMANDS PRUDENT JUDGEMENT, TOUGH SCRUTINY AND A DELIBERATE PLANNING PROCESS TO CAREFULLY BALANCE OUR PRIORITY RESOURCE NEEDS. SECRETARY CARLUCCI, IN HIS TESTIMONY BEFORE THE FULL COMMITTEE, SAID THAT TOUGH DECISIONS HAD TO BE MADE TO ACCOMMODATE A $33 BILLION REDUCTION IN FISCAL YEAR 1989. THOSE DIFFICULT DECISIONS ARE MADE AND WE IN USPACOM ARE COMMITTED TO THE SECRETARY'S INITIATIVES AND FULLY SUPPORT HIS BUDGET PRIORITIES -- PEOPLE, READINESS, AND EFFICIENT ACQUISITION.

I CAN REPORT THAT WE ARE PLEASED WITH TODAY'S STATE OF READINESS IN THE PACIFIC. WE HAVE A SOUND STRATEGY AND AN EFFECTIVE ALLIANCE NETWORK, MOTIVATED BY A SHARED CONCERN FOR SELF DEFENSE, PEACE AND SECURITY. ALLIED PERCEPTIONS OF THE GROWING THREAT OF THE SOVIET UNION REMAIN STEADFAST IN RESPONSE TO THE SOVIET MEDIA CAMPAIGN. GORBACHEV'S NOW FAMOUS 1986 VLADIVOSTOK SPEECH DECLARED THAT THE SOVIET UNION WAS TO BE A MAJOR PLAYER IN PACIFIC AFFAIRS. HE CALLED FOR A NEW ERA OF PEACE AND COOPERATION, THE NET EFFECT OF WHICH COULD BE TO ISOLATE THE U. S. FROM ITS ASIAN FRIENDS AND ALLIES. SINCE THE VLADIVOSTOK SPEECH, THE SOVIET FORCE STRUCTURE BUILDUP IN THE PACIFIC HAS CONTINUED APACE WITH THE INTRODUCTION OF MORE FIGHTERS, MORE BOMBERS, ADDITIONAL SHIPS AND AN EXPANDED LAND ARMY. THEREFORE, I AM

CONCERNED, ABOUT THE CONSEQUENCES OF A CONTINUED DECLINE IN MILITARY EXPENDITURES, AS WE HAVE SEEN IN REAL TERMS OVER THE PAST THREE YEARS, AND OUR ABILITY TO BUY IN AGAIN AT A POTENTIALLY MUCH HIGHER COST IN THE FUTURE.

SOVIET THREAT

THE SOVIET PACIFIC FLEET IS THEIR LARGEST, WITH OVER 300 COMBATANTS. THERE ARE 57 ARMY DIVISIONS IN THE FAR EAST MILITARY DISTRICT -- MOST POISED ALONG THE SINO-SOVIET BORDER. THEIR AIR FORCES INCLUDE OVER 2,000 COMBAT AIRCRAFT -- ABOUT ONE-THIRD OF THEIR GLOBAL STRIKING POWER.

SOVIET MODERNIZATION EFFORTS HAVE CONTINUED TO ENHANCE THEIR PACIFIC FORCES. THE NEW, QUIET AKULA CLASS ATTACK SUBMARINE IS NOW IN ACTIVE SERVICE IN THE PACIFIC, AND MORE ARE ON THE WAY. WE EXPECT THE DELTA IV SSBN TO BECOME PART OF THE SOVIET PACIFIC FLEET IN THE COMING YEAR. ALL THE MODERN CLASSES OF SURFACE COMBATANTS ARE FOUND IN THEIR PACIFIC FLEET, INCLUDING TWO OF THREE AIRCRAFT CARRIERS, THE KIROV CLASS NUCLEAR-POWERED GUIDED MISSILE CRUISER, AND THE UDALOY/SOVREMENNYY, GUIDED MISSILE DESTROYERS.

THERE HAS BEEN AN ORDER OF MAGNITUDE INCREASE IN LONG RANGE STRIKE CAPABILITIES. ALL SOVIET "BEAR G'S" ARE LOCATED IN THE PACIFIC. "BEAR H'S" ARMED WITH THE AS-15 AIR-TO-SURFACE MISSILE AND DOZENS OF BACKFIRE BOMBERS CONTRIBUTE TO THIS INCREASE. THE DEVELOPMENT OF THE LARGEST, MOST COMPLETE ADVANCED BASE FOR SOVIET NAVAL AND AIR FORCES OUTSIDE THE WARSAW PACT, AT CAM RANH BAY HAS IMPROVED THE SOVIET ABILITY TO RECONNOITER AND INTERDICT PACIFIC AND INDIAN OCEAN SEA LINES OF COMMUNICATION AND TO RESPOND TO REGIONAL CRISES IN THE INDIAN OCEAN AND SOUTH PACIFIC. THESE FACILITIES NOW SUPPORT 25-30 SHIPS AND SUBMARINES AND APPROXIMATELY 50 COMBAT AIRCRAFT. THE CONTINUED SOVIET MILITARY

BUILDUP, AS WELL AS THEIR EXPANDED DIPLOMATIC AND ECONOMIC ACTIVITY IN THE PACIFIC, SIGNAL INTENTIONS THAT CANNOT BE OVERLOOKED.

NORTH KOREA

IN ADDITION TO THE GROWING SOVIET THREAT, OTHER AREAS OF THE PACIFIC REQUIRE OUR ATTENTION AS WELL. THE SOVIET-SUPPORTED NORTH KOREAN ARMED FORCES CONTINUE TO PREPARE FOR A MILITARY REUNIFICATION OF THE KOREAN PENINSULA UNDER NORTH KOREAN CONTROL SHOULD THEY SEE AN OPENING. DESPITE WRETCHED ECONOMIC CONDITIONS, WE ESTIMATE THAT NORTH KOREA CONTINUES TO ALLOCATE MORE THAN 20 PERCENT OF ITS GNP TO SUSTAIN AND MODERNIZE AN ARMED FORCE OF OVER 700,000 MEN. MILITARY ACQUISITIONS INCLUDE THE MODERN MIG 23 AIRCRAFT AND SA-3 AIR DEFENSE SYSTEMS. RECENTLY, NORTH KOREA WARNED THAT IF THE CONDUCT OF LARGE-SCALE WAR EXERCISES CONTINUED IN THE SOUTH, THEY WOULD "HAVE NO CHOICE BUT TO MAKE A WAR". THEY ARE, OF COURSE, REFERRING TO EXERCISE TEAM SPIRIT, WHICH IS ONGOING. NORTH KOREA'S BELLICOSE ATTITUDE, ITS DEMONSTRATED WILLINGNESS TO USE MURDEROUS STATE-SPONSORED TERRORISM. ITS HUGE ARMY AND FORWARD DISPOSITION JUST NORTH OF THE DEMILITARIZED ZONE, REQUIRES THE U. S. PRESENCE IN KOREA TODAY.

VIETNAM

VIETNAM'S ARMED FORCES, WITH OVER ONE MILLION MEN UNDER ARMS, ARE LARGER THAN THE TOTAL ARMED FORCES OF THE MEMBERS OF THE ASSOCIATION OF SOUTHEAST ASIAN NATIONS AND REMAIN THE AREA'S PRIMARY DESTABILIZING INFLUENCE. AN ESTIMATED 130,000 TO 140,000 VIETNAMESE TROOPS NOW OCCUPY CAMBODIA, AND FREQUENTLY VIOLATE THAILAND'S BORDER AREAS. ANOTHER 35,000 TROOPS ARE DEPLOYED IN LAOS. THE VIETNAMESE ECONOMY IS NO BETTER OFF THAN THE NONFUNCTIONAL ECONOMY OF NORTH KOREA. VIETNAM SIMPLY CANNOT SUSTAIN SUCH A FORCE WITHOUT MASSIVE AID FROM THE SOVIETS, WHICH

WE CALCULATE TO BE AT LEAST FIVE MILLION DOLLARS PER DAY. IN RETURN, SOVIET FORCES RANGE THE PACIFIC FROM THE CAM RANH BAY COMPLEX AND DA NANG AIRFIELD.

PHILIPPINE INSURGENTS

WHILE WE HAVE OBSERVED A STEADY IMPROVEMENT IN PHILIPPINE ARMED FORCES CAPABILITIES, THE INSURGENCY HAS CONTINUED TO GROW TO A STRENGTH OF AROUND 26,000. THE NUMBER OF WEAPONS IN THE HANDS OF THE INSURGENTS HAS ALMOST DOUBLED IN THE LAST YEAR, AND FOR THE FIRST TIME THERE ARE INDICATIONS OF A CONCERTED EFFORT TO GAIN SUPPORT FROM OTHER COUNTRIES.

PACIFIC ALLIANCES

AS WE ENTER INTO A MORE FISCALLY CONSTRAINED ENVIRONMENT, THE ROLE OF OUR ALLIES AND FRIENDS TO MAINTAIN THE BALANCE IN SECURITY AND COUNTER THE THREAT JUST DISCUSSED BECOMES INCREASINGLY IMPORTANT.

WE HAVE FORMAL BILATERAL SECURITY ARRANGEMENTS WITH JAPAN, THE REPUBLIC OF KOREA, THAILAND, THE REPUBLIC OF THE PHILIPPINES, AUSTRALIA, THE FEDERATED STATES OF MICRONESIA, AND THE REPUBLIC OF THE MARSHALL ISLANDS. THESE AGREEMENTS COMMIT THE UNITED STATES TO HELP DEFEND AGAINST EXTERNAL THREATS, AND IN RETURN, THESE NATIONS CONTRIBUTE TO THE COLLECTIVE SECURITY UMBRELLA THAT HAS SERVED ALL NATIONS OF THE PACIFIC SO WELL.

THERE ARE TWO AREAS OF OUR ALLIANCE RELATIONSHIPS THAT I WOULD LIKE TO MENTION -- WARTIME SUPPORT FROM OUR PACIFIC ALLIES AND SECURITY ASSISTANCE. SUPPORT FROM OUR ALLIES TAKES MANY FORMS AND VARIES BY COUNTRY. I WOULD POINT OUT THAT IN THE PACIFIC ONLY IN KOREA OUR WARTIME HOST NATION SUPPORT PROGRAM INCLUDES SUCH THINGS AS THE USE OF KOREAN AIRLINES AND ROK MERCHANT SHIPS IN CONTINGENCIES, STORAGE, MAINTENANCE AND TRANSPORTATION OF AMMUNITION, AS WELL AS MANPOWER AUGMENTATION. ANOTHER ASPECT OF

SUPPORT IS THE COMBINED DEFENSE IMPROVEMENT PROGRAM (CDIP). THIS ROK FUNDED PROGRAM WILL BUILD $32.5 MILLION IN CONSTRUCTION PROJECTS IN 1988. IN ALL, WE HAVE ABOUT 30 DIFFERENT AD HOC AGREEMENTS WITH KOREA AND WILL NEGOTIATE THIS YEAR FOR AN UMBRELLA HOST NATION SUPPORT AGREEMENT TO TIE ALL THIS INTO ONE PACKAGE.

WHILE WE HAVE NO FORMAL HOST NATION SUPPORT AGREEMENTS IN JAPAN, WE DO RECEIVE SUPPORT FOR OUR U. S. FORCES. JAPANESE CONTRIBUTIONS TAKE MANY FORMS AND INCLUDE SUCH THINGS AS FACILITIES, LAND, AND LABOR. ONE OF THESE SUPPORT PROGRAMS IS THE JAPANESE FACILITIES IMPROVEMENT PROGRAM (JFIP) DISCUSSED LATER. WE ALSO HAVE A PROGRAM FOR CONDUCTING JOINT LOGISTICS STUDIES.

WE ALSO HAVE LOGISTICS SUPPORT MEMORANDUMS OF UNDERSTANDING WITH TWO OTHER PRINCIPLE ALLIES -- AUSTRALIA AND THAILAND. THESE AGREEMENTS PROVIDE FOR RECIPROCAL LOGISTICS SUPPORT IN PEACETIME AND DURING CONTINGENCIES. THEY NOT ONLY PROVIDE NECESSARY LOGISTICAL MECHANISMS BUT ALSO SEND A SIGNAL OF POLITICAL WILLINGNESS TO HELP EACH OTHER. WE HAD A SIMILAR ARRANGEMENT WITH NEW ZEALAND, BUT BECAUSE OF OUR SECURITY RELATIONSHIP, IT HAS NOW EXPIRED. FINALLY, IN THAILAND, WE HAVE AGREED TO ESTABLISH A JOINT STOCKPILE OF WAR RESERVES. UNDER THIS AGREEMENT, THE U. S. PERMANENTLY BASED IN JAPAN, KOREA AND THE PHILIPPINES COMBINED. THE JAPANESE MARITIME SELF-DEFENSE FORCE HAS MORE THAN TWICE AS MANY DESTROYER-TYPE SHIPS AS THE U. S. SEVENTH FLEET. JAPANESE PROCUREMENT OF AEGIS CRUISERS IN 1988 IS GREATLY NEEDED SO THAT JAPAN MAY SIGNIFICANTLY IMPROVE ITS ABILITY TO PROVIDE PROTECTION OF THE SEA LINES OUT TO 1,000 MILES FROM THE JAPANESE ISLANDS, AS IT HAS COMMITTED ITSELF TO DO.

AS TO BURDEN SHARING, JAPAN PROVIDES SUPPORT EQUIVALENT TO ABOUT 40 PERCENT OF THE $5.9 BILLION COST OF MAINTAINING U. S. FORCES IN COUNTRY. A NEW PROTOCOL, ENACTED THIS YEAR, WILL ALLOW UP TO 100 PERCENT FUNDING OF CERTAIN LABOR COST ALLOWANCES AND

BENEFITS. THIS 50 PERCENT INCREASE REPRESENTS $175 MILLION MORE IN CONTRIBUTIONS TO MAINTAINING U. S. FORCES. THE JAPANESE HAVE CONTRIBUTED FUNDS FOR PRECISE NAVIGATIONAL EQUIPMENT FOR THE ARABIAN GULF AND HAVE INVESTED TO IMPROVE OUR ASW TECHNOLOGY LEAD IN THE WAKE OF SOVIET ADVANCEMENTS IN SUBMARINE OPERATIONS. IMPORTANTLY, JAPAN HAS SELECTED AN UPGRADED F-16 AS ITS NEXT GENERATION AIR-TO-GROUND FIGHTER. THESE DECISIONS AND THE MAJOR EQUIPMENT ITEMS IN THE JFY-88 DEFENSE BUDGET CONTINUE THE TREND OF IMPROVED INTEROPERABILITY.

JAPAN ALSO CONTRIBUTES TO THE SUPPORT OF U. S. FORCES THROUGH FACILITY CONSTRUCTION. FROM 1982 TO 1987 THE JAPANESE FACILITY IMPROVEMENT PROGRAM INCREASED BY 96 PERCENT. THE JFY-88 PROPOSED LEVEL OF FUNDING IS TEN PERCENT HIGHER THAN IN 1987. THE SUSTAINED WILL MATCH THAI CONTRIBUTIONS UP TO $10M PER YEAR FOR FIVE YEARS. THE U. S. CONTRIBUTION WILL BE MUNITIONS FROM EXISTING STOCKS AND NOT REQUIRE NEW PROCUREMENTS. PROGRAMS SUCH AS THESE ENHANCE THE READINESS AND STAYING POWER OF OUR ALLIES.

THE IMPORTANCE OF SECURITY ASSISTANCE PROGRAMMING TO OUR PACIFIC STRATEGY IS UNDER-APPRECIATED. IT IS A MAJOR FACTOR IN OUR MILITARY-TO-MILITARY RELATIONSHIPS, AND MOST IMPORTANTLY, IMPROVES INTEROPERABILITY OF FORCES IN COMBINED OPERATIONS. FURTHERMORE, SECURITY ASSISTANCE CONTRIBUTES SIGNIFICANTLY TO THE DEVELOPMENT OF MORE SELF-SUFFICIENT ALLIES AND FRIENDS. UNFORTUNATELY, THE BUDGET FOR THIS PART OF OUR STRATEGY HAS BEEN DECREMENTED TO A POINT OF INEFFECTIVENESS IN MANY AREAS.

JAPAN

FROM THE POINT OF VIEW OF OUR SECURITY INTERESTS, THE DEVELOPMENT OF THE U. S.-JAPAN SECURITY RELATIONSHIP HAS BEEN ONE OF OUR FOREIGN POLICY SUCCESSES. SINCE SIGNING THE TREATY OF MUTUAL COOPERATION AND SECURITY IN 1960, THE JAPANESE HAVE

DEVELOPED AN INCREASINGLY CAPABLE SELF-DEFENSE FORCE. THEIR DEFENSE SPENDING HAS GROWN TO 3.7 TRILLION YEN ($29.6 BILLION) FOR THEIR JFY-88 DEFENSE BUDGET, A 5.2 PERCENT INCREASE OVER LAST YEAR. JAPANESE FORCES ARE EQUIPPED WITH MODERN SYSTEMS MANNED BY PROFESSIONALS, BUT LACK IN SUSTAINABILITY. THE JAPANESE AIR SELF-DEFENSE FORCE HAS MORE AIRCRAFT THAN THE U. S. AIR FORCE HAS INCREASE OVER THE PAST FEW YEARS HAS ENABLED THE U. S. TO REDUCE ITS MILCON PROGRAM IN JAPAN BY TWO-THIRDS SINCE 1982. SOME FACILITIES, HOWEVER, MUST STILL BE PROGRAMMED FOR MILCON FUNDING. PROJECTS THAT COULD PRESENT OPPORTUNITIES FOR SECURITY COMPROMISES OR THOSE THAT ARE BELIEVED TO SUPPORT OFFENSIVE OPERATIONS STILL REQUIRE U. S. FUNDING. THE FY-89 MILCON PROGRAM FOR U. S. FORCES IN JAPAN TOTALS $27 MILLION FOR 11 PROJECTS THAT DIRECTLY CONTRIBUTE TO OUR WARFIGHTING CAPABILITY. THE KAWAKAMI AMMUNITION STORAGE FACILITY IN JAPAN IS A KEY PROJECT REQUIRING MILCON FUNDING. THIS PROJECT IS NEEDED TO PROVIDE SECURE STORAGE OF WAR RESERVE AMMUNITION TO SUSTAIN OUR FORWARD DEPLOYED FORCES.

THIS SAID, JAPAN CAN AND SHOULD DO MORE. WE CONTINUE TO ENCOURAGE JAPAN TO ASSUME MORE OF THE BURDEN OF U. S. FORCE PRESENCE IN JAPAN, TO INCREASE ITS OFFICIAL DEVELOPMENT ASSISTANCE FUNDS TO COUNTRIES SUCH AS THE PHILIPPINES, AND TO DO MORE TO IMPROVE THEIR OWN COMBAT SUSTAINABILITY, COMBAT SERVICE SUPPORT, AND JOINT AND COMBINED CAPABILITIES.

REPUBLIC OF KOREA

OVER 37 YEARS AGO, THE U. S. AND REPUBLIC OF KOREA FORGED A SECURITY PARTNERSHIP THAT CAN BE COUNTED AMONG THE STRONGEST WE HAVE WITH ANY ALLY. THE COMBINED FORCES COMMAND, CONSISTING OF U. S. AND ROK FORCES, IS AS FINE A MILITARY FORCE AS CAN BE FOUND ANYWHERE. THE REPUBLIC OF KOREA HAS GROWN MILITARILY, ECONOMICALLY, AND POLITICALLY. THIS PROGRESS HAS BEEN IMPRESSIVE AND IS ATTRIBUTABLE IN PART TO THE SECURITY AND STABILITY OF THE

U. S. PRESENCE OVER THE YEARS.

TODAY, THERE IS BOTH TENSION AND PROMISE ON THE KOREAN PENINSULA. THE TENSION IS CAUSED BY AN EVER-CHANGING AND TOTALLY UNPREDICTABLE THREAT FROM THE NORTH. THE PROMISE IS THE ECONOMIC AND POLITICAL DEVELOPMENT IN THE SOUTH. THE EARLY PHASES OF A DIFFICULT POLITICAL EVOLUTION, INCLUDING THE FIRST EVER DEMOCRATIC ELECTION OF A PRESIDENT, HAVE BEEN SUCCESSFULLY COMPLETED. WITH THE INAUGURATION OF PRESIDENT-ELECT ROH TAE WOO AND PARLIAMENTARY ELECTIONS SCHEDULED FOR THE SPRING, KOREA WILL HAVE MADE GREAT STRIDES TOWARDS POLITICAL MATURITY. THESE EVENTS, COUPLED WITH THE SEOUL SPONSORED OLYMPIC GAMES WILL ENHANCE KOREA'S STATURE IN THE EYES OF THE WORLD.

THE U. S. PRESENCE IN KOREA CONTRIBUTES TO THE DETERRENCE OF RENEWED HOSTILITIES ON THE PENINSULA AND THE MAINTENANCE OF REGIONAL STABILITY. WHILE CHANGES IN THE U. S./ROK SECURITY RELATIONSHIP WILL CONTINUE, THEY WILL BE EVOLUTIONARY IN NATURE, WHILE REMAINING RESPONSIVE TO THE NORTH KOREAN AND SOVIET THREAT.

THE PHILIPPINES

WE HAVE A VITAL STAKE IN THE STABILITY AND SECURITY OF THE PHILIPPINES THAT GOES BEYOND THE TERMS OF THE MUTUAL DEFENSE AGREEMENT. OUR SPECIAL RELATIONSHIP WITH THE FILIPINO PEOPLE DATES BACK TO THE TURN OF THE CENTURY AND IS RECOGNIZED BY COUNTRIES THROUGHOUT ASIA.

THE REPUBLIC OF THE PHILIPPINES STRADDLES THE SEA LINES OF COMMUNICATIONS THAT CONNECT REGIONAL POWER CENTERS IN THE PACIFIC AND INDIAN OCEANS. PHILIPPINE BASES ALLOW US TO POSITION FORCES IN AN IDEAL STRATEGIC LOCATION. U. S. FACILITIES AT CLARK AIR BASE AND SUBIC BAY ARE IMPORTANT TO REGIONAL STABILITY, TO U. S.-PHILIPPINE POLITICAL, ECONOMIC AND MILITARY INTERESTS, AND TO OUR OVERALL WARFIGHTING STRATEGY.

THE MUTUAL BENEFITS OF THE FACILITIES, NOTWITHSTANDING, THERE ARE SERIOUS CHALLENGES ON THE HORIZON. THE MILITARY BASES AGREEMENT IS SCHEDULED FOR REVIEW THIS YEAR AND THE AGREEMENT MUST BE RENEGOTIATED PRIOR TO 1991. OVERALL, WE REMAIN OPTIMISTIC THAT NEGOTIATIONS WILL BE SUCCESSFUL BECAUSE THERE IS MUCH AT STAKE FOR THE FUTURE OF BOTH THE U. S. AND THE PHILIPPINES.

NET ASSESSMENT

AS YOU MAY CONCLUDE, A SIMPLE STATISTICAL COMPARISON OF SOVIET VERSUS U. S. AND ALLIED CONVENTIONAL CAPABILITIES IN THE PACIFIC AREA OF OPERATIONS WOULD NOT BE ENCOURAGING. THE SOVIETS OUTNUMBER US IN ALL AREAS EXCEPT MAJOR NAVAL COMBATANTS, WHERE WE ARE ROUGHLY EQUAL. HOWEVER, NUMBERS ARE NOT THE ONLY MEANS OF COMPARISON. OUR TECHNOLOGICAL EDGE, HIGHER LEVEL OF TRAINING, TACTICAL INITIATIVE AND INNOVATION, STRONG ALLIES AND FRIENDS, GEOGRAPHICAL ADVANTAGES, AND THE EXCEPTIONAL QUALITY OF OUR PEOPLE IN UNIFORM, GIVE US ENOUGH ADVANTAGE TO OVERCOME THE CONVENTIONAL NUMERICAL DEFICIENCY -- AT LEAST FOR THE PRESENT.

READINESS

USPACOM HAS A FORWARD DEPLOYMENT STRATEGY THAT PROJECTS THE CAPABILITY TO PLACE SOVIET FORCES AT RISK IN A GLOBAL CONFRONTATION, THEREBY INCREASING DETERRENCE AND PROMOTING STABILITY IN THE REGION. U. S. FORCES IN THE THEATER ARE EQUAL TO THE STRATEGY TODAY. OUR CONCERN IS FOR THE FUTURE. WE HAVE FORWARD DEPLOYED FORCES IN JAPAN, KOREA, THE PHILIPPINES, GUAM, AND DIEGO GARCIA, WITH RESERVES AND NATIONAL GUARD IN HAWAII AND GUAM. THE LARGEST MILITARY COMPONENT IN THE PACIFIC THEATER IS OUR PACIFIC FLEET. APPROXIMATELY ONE-HALF OF THE U. S. NAVY AND TWO-THIRDS OF OUR MARINE FORCE STRUCTURE ARE IN THE PACIFIC THEATER. THERE ARE TWO ARMY DIVISIONS IN THEATER, ONE STATIONED

IN KOREA AND THE OTHER IN STRATEGIC RESERVE IN HAWAII. OUR PACIFIC AIR FORCES INCLUDE THREE NUMBERED AIR FORCES, FIVE TACTICAL FIGHTER WINGS, TWO EACH IN JAPAN AND KOREA, AND ONE IN THE PHILIPPINES. LOCATED WITH PACAF HEADQUARTERS ON OAHU IS THE HAWAII AIR NATIONAL GUARD, WHICH PROVIDES FOR THE AIR DEFENSE OF THE ISLANDS.

WITH THAT BRIEF SKETCH OF OUR PACIFIC-BASED FORCES, A CLOSER EXAMINATION OF A FEW CAPABILITIES MAY BE HELPFUL. IN THE INDIAN OCEAN, WE HAVE MAINTAINED A LARGE NAVAL PRESENCE TO DEMONSTRATE OUR COMMITMENT TO THE PROTECTION OF SHIPPING IN THE ARABIAN GULF. IN ADDITION TO THE SEA-BASED OPERATIONS, WE ROUTINELY CONDUCT P-3 SURVEILLANCE AND SUPPORT MISSIONS OUT OF DIEGO GARCIA.

THE MARITIME PREPOSITIONING SHIP SQUADRONS AT DIEGO GARCIA, GUAM, AND TINIAN NOW GIVE OUR MARINE FORCES A QUICK RESPONSE CAPABILITY FOR ANY CONTINGENCY. THE CONCEPT IS TO MAINTAIN 30 DAYS OF SUPPLIES AND HEAVY EQUIPMENT, SUCH AS TANKS AND ARTILLERY, IN THE SHIPS, AND IN A CONTINGENCY, MARRY-UP THE EQUIPMENT WITH A 16,500-MAN MARINE EXPEDITIONARY BRIGADE FLOWN IN BY STRATEGIC AIRLIFT.

THE PACIFIC AIR FORCES ENGAGE IN FREQUENT, REALISTIC, COMBINED TRAINING WITH OUR REGIONAL ALLIES. EXERCISES, LIKE TEAM SPIRIT IN KOREA AND COPE THUNDER IN THE PHILIPPINES, NOT ONLY ENHANCE INTEROPERABILITY, BUT ALSO PROVIDE VISIBLE AND REGULAR ASSURANCES THAT WE INTEND TO PROMOTE DETERRENCE AND STAND BEHIND OUR TREATY COMMITMENTS.

THE 25TH INFANTRY DIVISION, A NEWLY REORGANIZED LIGHT DIVISION, IS SPECIALLY CONFIGURED FOR RAPID DEPLOYABILITY. SOLDIERS FROM THE 25TH DIVISION PARTICIPATE EACH YEAR IN ABOUT 30 DEPLOYMENTS OR PERSONNEL EXCHANGES WITH THE ARMIES OF 14 PACIFIC NATIONS -- A PARTICULARLY SIGNIFICANT INITIATIVE CONSIDERING THAT 95 PERCENT OF REGIONAL ARMED FORCES ARE COMPOSED OF ARMY UNITS.

THE STRATEGIC AIR COMMAND (SAC) HAS A WING OF B-52'S AT ANDERSEN AIR FORCE BASE IN GUAM. B-52'S SUPPORT BOTH CONVENTIONAL LAND ATTACK, AS WELL AS MARITIME OPERATIONS, USING SYSTEMS SUCH AS THE HARPOON ANTI-SHIP MISSILE. SAC CREWS ROUTINELY FLY SEA SURVEILLANCE AND MINELAYING SORTIES IN SUPPORT OF THE NAVY. IN ADDITION, B-52 AIRCRAFT FROM THE CONTINENTAL U. S. CONDUCT EXERCISES WITH OUR CARRIER BATTLE GROUPS IN THE NORTH ARABIAN SEA WITH MISSIONS FLOWN OUT OF DARWIN IN NORTHERN AUSTRALIA.

MODERNIZATION EFFORTS IN THE PACIFIC SUSTAIN OUR POSITION AHEAD OF THE GROWING SOVIET CHALLENGE. A FEW CAPABILITIES WHICH I WOULD MENTION ARE:

- AEGIS - WE NOW HAVE FOUR TICONDEROGA CLASS AEGIS EQUIPPED CRUISERS AND MORE ARE ON THE WAY. AEGIS PROVIDES A REASSURING AIR AND MISSILE DEFENSE FOR OUR CARRIER BATTLE GROUPS AND OUR BATTLESHIP BATTLE GROUPS.

- TOMAHAWK - MANY SURFACE COMBATANTS AND SUBMARINES ARE NOW EQUIPPED WITH THE TOMAHAWK LAND ATTACK CRUISE MISSILE. DEEP STRIKE CAPABILITY IS NO LONGER RESTRICTED TO MANNED AIRCRAFT.

- AIR CUSHION LANDING CRAFT - PROVIDES OUR MARINE CORPS FORCES HIGH SPEED TRANSIT FROM SHIP TO SHORE. THESE HOVER CRAFT TYPE VEHICLES PROVIDE SUPPORT TO MARINE LANDINGS OVER 70 PERCENT OF THE WORLD'S COASTLINES.

- LANCE MISSILE - THIS SYSTEM HAS BEEN OPERATIONAL IN KOREA SINCE FEBRUARY 1987. IT PROVIDES GROUND FORCES AN ACCURATE DAY AND NIGHT, ALL WEATHER, GENERAL FIRE SUPPORT MEANS TO DISRUPT ENEMY REINFORCEMENTS AT RANGES OUT TO 115 KILOMETERS.

- F-16 - CONTINUING MODERNIZATION OF AIR FORCE SQUADRONS IN JAPAN AND KOREA WITH THE "FIGHTING FALCON" MEANS BETTER MEDIUM

RANGE, FORWARD DEPLOYED, TACTICAL STRIKE CAPABILITY.

- F/A-18 - THE INTRODUCTION OF THIS SYSTEM HAS GONE SMOOTHLY, AND THE RESULTS HAVE BEEN AN ENHANCEMENT IN OUR CARRIER FORCE PROJECTION CAPABILITY.

ON A REGULAR BASIS, OUR FORCES ARE EXERCISED WITH OTHER NATIONS TO ENSURE OUR ABILITY TO INTEROPERATE WITH OUR ALLIES. IN THE PAST FEW YEARS, WE HAVE SEEN THE COMBINED/JOINT EXERCISE IN KOREA, TEAM SPIRIT, GROW TO HAVE 200,000 PARTICIPANTS AND INCLUDE EVER MORE DEMANDING SCENARIOS. WE CONTINUE TO DEVELOP OUR ABILITY TO INTERFACE WITH THE JAPANESE AND HAVE THE FULL PARTICIPATION OF THEIR JOINT STAFF OFFICE AND THEIR SELF DEFENSE FORCES IN A REGULAR SERIES OF EXERCISES. WE EXERCISE FREQUENTLY WITH THE PHILIPPINE ARMED FORCES AND WE ARE PLEASED WITH THEIR COOPERATION IN THE COPE THUNDER EXERCISE, WHICH ALLOWS OUR PILOTS AND THOSE OF OTHER NATIONS TO EXPERIENCE THOSE ALL IMPORTANT "COMBAT" SORTIES, THEREBY INCREASING THEIR PROFICIENCY IN COMBAT TASKS IN A SIMULATED WARTIME ENVIRONMENT. WE ALSO TRAIN WITH THE FORCES OF THAILAND AND HAVE HAD THE OPPORTUNITY TO SHARE IDEAS AND EXPERIENCES WITH THE INDONESIANS. ALTHOUGH WE HAVE VERY LIMITED CONTACT WITH NEW ZEALAND, WE STILL REGULARLY WORK WITH AUSTRALIA. IN THE PAST, MANY OF OUR EXERCISES INCREASED IN SCOPE AS WE CAREFULLY PLANNED TO MAXIMIZE TRAINING EFFECTS. HOWEVER, AS THE IMPACT OF BUDGET REDUCTIONS BECOMES MORE APPARENT, WE WILL BE FORCED TO HUSBAND OUR TRAINING RESOURCES ACCORDINGLY.

SUSTAINABILITY

ASSESSING OUR OVERALL SECURITY POSTURE AS "POSITIVE" DOES NOT MEAN WE ARE ABSENT CONCERNS, PARTICULARLY IN THE "SHADOW" OF A $53 BILLION REDUCTION IN SPENDING OVER TWO YEARS. GIVEN THE UNIQUE MARITIME NATURE OF THE PACIFIC THEATER, WE ARE CONCERNED WITH

AVAILABILITY OF PREPOSITIONED WAR RESERVE STOCKS AND LIMITED INDUSTRIAL SURGE PRODUCTION CAPABILITY.

IN THE PAST FIVE YEARS THE PACIFIC HAS SEEN GAINS IN MODERN MUNITIONS, WAR RESERVE SPARES, POL STORAGE, AND STRATEGIC LIFT, BOTH AIR AND SEA. AT THE SAME TIME, THESE ARE THE AREAS THAT STILL REQUIRE ATTENTION. SHORTAGES EXIST IN THE CASE OF SOME OF THE THREAT MUNITIONS AND PROBLEMS REMAIN IN THE CASE OF MALPOSITIONED POL.

THE FY-88/89 BUDGETS SUPPORT SOME INCREASE IN THREAT MUNITIONS. OUR PROJECTIONS INDICATE THAT THE AVERAGE FILL RATE FOR ALL THREAT MUNITIONS, SUCH AS HARM, HARPOON AND PHOENIX MISSILES WILL INCREASE FROM 29 TO 61 PERCENT OF OUR OVERALL OBJECTIVE BY 1991. MAVERICK, THE IMPROVED 2000 POUND BOMB, 155MM DUAL PURPOSE IMPROVED CONVENTIONAL MUNITIONS AND OTHER PREFERRED LEVEL OF EFFORT MUNITIONS ARE PROJECTED TO INCREASE FROM 28 TO 50 PERCENT OF THE REQUIRED OBJECTIVE DURING THE SAME PERIOD.

SINCE 1980, WE HAVE MADE A STEADY DOLLAR INVESTMENT IN THE AREA OF REPLACEMENT SPARES. THE RESULT HAS BEEN AN IMPROVEMENT IN OUR DAYS OF SUPPLY ON HAND. PACIFIC FLEET SPARES EXCEED THE GOAL WHILE THE FLEET MARINE FORCE, PACIFIC SPARES ARE ALMOST THERE. ARMY UNITS IN THE THEATER REPORT THAT TWO-THIRDS OF THE REQUIREMENT IS PREPOSITIONED. THE PACIFIC AIR FORCES HAVE 83 PERCENT OF THE AIR FORCE MANDATED THEATER STOCK REQUIREMENT ON HAND. OUR PROJECTION OF THE FY-88 AND FY-89 BUDGET CUTS WILL PREVENT FUTURE IMPROVEMENT IN OUR SUSTAINABILITY POSTURE. AND AS MODERN EQUIPMENT IS FIELDED FOR WHICH THE FULL RANGE AND DEPTH OF SPARE PARTS IS NOT FUNDED, SUSTAINABILITY PROBLEMS WILL INCREASE. MAINTAINING OUR EQUIPMENT IS FUNDAMENTAL TO A HIGH STATE OF READINESS. MAINTENANCE FUNDING PROFILES WILL REQUIRE THE DEFERRAL OF SURFACE SHIP AND SUBMARINE AVAILABILITIES, LIMIT MAINTENANCE

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OUR BULK PETROLEUM RESERVES IN USPACOM HAVE INCREASED BY 5.4 MILLION BARRELS IN THE LAST FIVE YEARS. PREPOSITIONING OF ON-HAND STOCKS HAVE IMPROVED WITH THE LEASING OF STORAGE TANKS IN JAPAN, OKINAWA AND GUAM AND CONSTRUCTION OF TANKS ON ADAK, IN KOREA, GUAM AND OKINAWA. THESE IMPROVEMENTS HAVE IMPROVED OUR

ABILITY TO PROVIDE FUEL WHEN AND WHERE WE NEED IT. FURTHER GAINS IN SOLVING OUR MALPOSITIONED POL PROBLEM ARE POSSIBLE WITH THE ACQUISITION OF MORE STORAGE IN OKINAWA AND NORTHERN AND NORTHWEST PACIFIC.

WE ARE CONTINUING TO CLOSE IN ON THE 66 MILLION-TON-MILE PER DAY (MTM/D) AIRLIFT GOAL FOR FY-98. THE STRATEGIC AIRLIFT TOTAL WORLDWIDE CAPABILITY FOR FY-87 WAS 41.6 MTM/D. TOTAL AIRLIFT CAPABILITY INCREASES TO 52 MTM/D IN FY-92 BUT WILL FALL SHORT OF THE FY-92 MID-TERM GOAL OF 55-56 MTM/D. THESE AND FUTURE GAINS IN OUR STRATEGIC LIFT CAPABILITIES ARE TIED TO THE C-17 PROGRAM.

OUR LONG TERM SEALIFT GOAL IS TO ATTAIN A ONE MILLION SHORT TON (STON) SURGE LIFT CAPABILITY FOR UNIT EQUIPMENT SO THAT WE CAN QUICKLY DEPLOY AND SUSTAIN OUR FORCES. THE CURRENT UNIT EQUIPMENT CAPABILITY IS GREATER THAN 800,000 STON OR APPROXIMATELY 95 PERCENT OF THE 850,000 STON MID-TERM GOAL (FY-92). MARKET FORCES HAVE DRAMATICALLY CHANGED THE COMPOSITION OF THE DECLINING U. S. MERCHANT FLEET FROM BREAKBULK TO THE MORE ECONOMICAL, BUT LESS MILITARILY USEFUL, CONTAINER SHIPS. AS A RESULT, THE DOD HAS DEVELOPED A CRITICALLY NEEDED SEA SHED SYSTEMS PROGRAM TO MODIFY CONTAINER SHIPS SO THEY CAN CARRY UNIT EQUIPMENT. THE COMBINATION OF FY-88 AND FY-89 FUNDING IS SUFFICIENT TO MODIFY 25 CONTAINER SHIPS.

ALTHOUGH MILCON WORLDWIDE IS LARGER THAN FY-88, THE MILCON PROGRAM REQUESTED FOR USPACOM FOR FY-89 IS LOWER THAN OUR FUNDED AMOUNT IN FY-88. THIS LOWER REQUEST IS IN RESPONSE TO THE SERVICES ALLOCATION OF THEIR PORTION OF THE $33 BILLION DOD BUDGET REDUCTION. ONLY THE MOST CRITICAL PROJECTS FOR FY-89 REMAIN IN THE PROGRAM. OUR FY-89 MILCON BALANCES FY-89 WARFIGHTING PROJECTS WITH QUALITY OF LIFE FACILITIES. OF THE $474 MILLION USPACOM REQUEST FOR FY-89, ONLY $27 MILLION IS IDENTIFIED FOR JAPAN. THE $27 MILLION HAS BEEN CAREFULLY CONSIDERED AND IS NOT ELIGIBLE FOR

JFIP FUNDING. WE CONTINUE TO PRESS THE JAPANESE TO ACCEPT ADDITIONAL PROJECTS, HOWEVER, SOME REQUIRE CONSTRUCTION USING U. S. MILCON.

FY-88 AND FY-89 BUDGET IMPACTS

THE ADMINISTRATION'S TWO-YEAR REDUCTION OF APPROXIMATELY $53 BILLION TO THE PLANNED DEFENSE PROGRAM FORCED DIFFICULT CHOICES AMONG DEFENSE PRIORITIES. IN REAL TERMS, THE FY 1989 BUDGET REPRESENTS A DECLINE OF ABOUT ONE PERCENT AND FOLLOWS THREE YEARS OF SIMILAR DECLINES. IN THE MILITARY PERSONNEL ACCOUNTS, THIS YEAR'S BUDGET SOUGHT TO PRESERVE PRIOR YEAR GAINS IN RECRUITING AND RETENTION. PROCUREMENT ACCOUNTS INCURRED THE LARGEST REDUCTIONS SINCE 1985, WITH OVER 20 EXISTING DEVELOPMENT OR PROCUREMENT PROGRAMS TERMINATED IN THE AMENDED BUDGET. THIS YEAR, AS WELL, WE CANNOT ACCOMMODATE PREVIOUSLY PLANNED NEW STARTS IN RESEARCH AND DEVELOPMENT. THE LOSS OF NEW STARTS IS OF CONCERN TO US BECAUSE THE U. S. HAS BEEN ABLE TO COUNTER NUMERICAL SUPERIORITY OF SOVIET WEAPONS WITH MORE SOPHISTICATED TECHNOLOGY. WE CAN ILL AFFORD A TREND THAT ALLOWS THE DEVELOPMENT OF WEAPONS FOR TOMORROW'S FORCE TO BE NEGLECTED. IN A RELATED VEIN, OUR COMMAND AND CONTROL AND COMMUNICATIONS SYSTEMS CAPABILITIES, WHICH ARE ALREADY IN PROGRESS, MUST BE COMPLETED. TO TERMINATE THESE VITAL PROGRAMS NOW WOULD LEAVE US WITH INTEROPERABILITY COMPLICATIONS AS WELL AS A REQUIREMENT TO MAINTAIN BOTH THE NEW AND OLDER SYSTEMS.

SPECIFICALLY AND MORE TO THE POINT OF TODAY'S DISCUSSION ARE OUR CONCERNS FOR USPACOM'S COMPONENT AND SUBUNIFIED COMMAND CAPABILITIES:

PACIFIC FLEET

AS WITH THE OTHER SERVICES, THERE HAS BEEN A GENERAL BELT TIGHTENING IN FY-88 FOR CINCPACFLT. THE OPERATIONS AND

MAINTENANCE ACCOUNT FOR THE FLEET DECLINED 11 PERCENT FROM FY-87 TO FY-88 AND LIKELY WILL CONTINUE TO DECLINE IN FY-89. WE INTEND TO MAINTAIN STEAMING DAYS AT ABOUT PRESENT LEVELS FOR BOTH DEPLOYED AND NON-DEPLOYED SHIPS. TO MAINTAIN THIS OPTEMPO, THE O&M CUTS WILL BE BORNE BY THE SHORE ESTABLISHMENT. THE REAL PROPERTY MAINTENANCE ACCOUNT WAS REDUCED BY 26 PERCENT AND OPERATIONAL TEMPORARY ACTIVE DUTY FUNDING WAS CUT 24 PERCENT. REMAINING FUNDS WILL ALLOW THE FLEET TO TAKE CARE OF ITEMS THAT AFFECT SAFETY AND OPERATIONS IN THE SHORT TERM, BUT LITTLE ELSE. AS WE SEEK TO MAINTAIN OPERATIONAL READINESS, WE WILL PAY A PRICE IN OUR SUPPORT BASE.

FORCE STRUCTURE WILL BE REDUCED BY THE RETIREMENT OF EIGHT FRIGATES AND A CARRIER AIR WING IN THE PROCESS OF STANDING UP ON THE WEST COAST WILL NOT BE ACTIVATED.

PACIFIC AIR FORCES

THE PACIFIC AIR FORCES SUFFERED A 10.6 PERCENT REDUCTION IN OPERATIONS AND MAINTENANCE FUNDING FROM THE FY-87 LEVEL. ALTHOUGH WE WERE SUCCESSFUL IN PROTECTING THE COMMANDS' BASIC FLYING TRAINING PROGRAM FROM DEEP CUTS, PACAF CREWS WILL AVERAGE ONE LESS SORTIE EACH MONTH. SOME EXERCISES HAVE BEEN CANCELLED OR REDUCED IN SCOPE. CHEMICAL WARFARE DEFENSE EQUIPMENT WILL ONLY BE REPLACED AT SHELF LIFE EXPIRATION, MAINTAINING CURRENT SHORTFALLS. CIVILIAN PAY WILL NOT BE FULLY FUNDED, AND FACILITY REPAIR AND REPLACEMENT PROJECTS AS WELL AS CIVIL ENGINEERING SUPPLIES, BASE OPERATING SUPPLIES AND EQUIPMENT WILL SEE CUTS UP TO TWO-THIRDS OF THE FY-87 FUNDING LEVELS. THE COMMAND AND CONTROL SYSTEM FOR THE PACIFIC DISTRIBUTION SYSTEM, TO IMPROVE RAPID RESUPPLY OF CRITICAL PARTS, WILL NOT BE FUNDED, RESULTING IN DEGRADED PEACETIME READINESS AND WARTIME SUSTAINABILITY. APPROVAL OF ONLY 24 PERCENT OF THE $133.5 MILLION MILITARY CONSTRUCTION REQUEST SENDS A GLOOMY MESSAGE TO OUR ALLIES AND OUR OWN TROOPS.

THE FY-89 OPERATIONS AND MAINTENANCE ACCOUNT WILL EXPERIENCE BELT TIGHTENING SIMILAR TO FY-88. THE FY-89 BUDGET REDUCTIONS WILL ALSO RESULT IN FORCE STRUCTURE REDUCTIONS SUCH AS THE DEACTIVATION OF THE TACTICAL AIR SUPPORT SQUADRON AT WHEELER AIR FORCE BASE. A JET FUEL STORAGE PROJECT AT KADENA WILL BE CANCELLED. KADENA WAS PROGRAMMED TO CONSTRUCT A 200,000 BARREL STORAGE TANK THAT WOULD HOUSE WAR RESERVE JET FUEL FOR CONTINGENCY OPERATIONS. THIS STORAGE REQUIREMENT IS TODAY SATISFIED BY THE LEASING OF JAPANESE COMMERCIAL STORAGE TANKS. THESE LEASES EXPIRE IN 1991. IN ADDITION, OTHER SURVIVABILITY PROJECTS SUCH AS THE CONSTRUCTION OF ALTERNATE AIRCRAFT SHELTERS AND TWO RAPID RUNWAY REPAIR STORAGE FACILITIES IN KOREA HAVE BEEN DELETED.

PACIFIC ARMY FORCES

OVERALL FUNDING FOR OPERATION AND MAINTENANCE HAS FALLEN NINE PERCENT COMPARED TO FY-87 FOR ARMY UNITS IN THE PACIFIC COMMAND. THIS DOES NOT CONSIDER THE EFFECT OF INFLATION AND NEW REQUIREMENTS SUCH AS CONGRESSIONALLY APPROVED CIVILIAN PAY RAISES. THE STRATEGY IS TO PRESERVE READINESS AND PAY THE BILL WITH TRADEOFFS IN INSTALLATION SUPPORT FUNDING. UNFORTUNATELY, THIS WILL NOT COVER ALL THE CUTS AND SOME PLANNED EXERCISES WILL BE TERMINATED, WHILE OTHERS MAY BE REDUCED IN SCOPE. BACKLOGS IN MAINTENANCE AND REPAIR OF REAL PROPERTY WILL INCREASE AND OTHER INSTALLATION SUPPORT ACTIVITY WILL BE CUT TO THE CORE. THE CIVILIAN PERSONNEL FORCE MAY BE REDUCED. FAMILY HOUSING FUNDS WILL BE CUT BY OVER SEVEN PERCENT AND MILITARY CONSTRUCTION PROJECTS IN KOREA AND JAPAN WILL BE REDUCED. THE TREND INTO FY-89 REMAINS THE SAME. WORK WILL BE DEFERRED AND CREATE AN EVER-INCREASING BOW WAVE THAT WILL BE HARDER AND HARDER TO ADDRESS. EVEN WITH THESE ECONOMIES MADE, ARMY AVIATION IN THE PACIFIC MUST BE REDUCED BY 14 HELICOPTERS AND WILL LOSE THE 75 ACCOMPANYING PERSONNEL SPACES. ONE READINESS CONCERN ALREADY UPON US IS THE FY-88 FUNDING LEVEL WHICH RESTRICTS OUR EFFORTS TO

IMPROVE SHORTFALLS WITHIN EXISTING ARMY COMBAT SUPPORT AND COMBAT SERVICE SUPPORT UNITS. IN EIGHTH U. S. ARMY FOR EXAMPLE A LARGE PERCENTAGE OF COMBAT SUPPORT/COMBAT SERVICE SUPPORT UNITS CANNOT UNDERTAKE MAJOR PORTIONS OF THE WARTIME MISSION FOR WHICH THEY WERE DESIGNED.

FLEET MARINE FORCE, PACIFIC

OPERATION AND MAINTENANCE FUNDS FOR FLEET MARINE FORCE, PACIFIC WERE REDUCED 12.6 PERCENT FROM FY-87 TO FY-88. AFFECTED MOST ARE BASE OPERATING FUNDS AND ASSOCIATED SUPPORT FOR FLEET MARINE FORCE UNITS. HALF OF THE EXERCISE FUNDING FOR THEATER UNITS FELL VICTIM TO BUDGET REDUCTIONS. THE RESULTS WILL BE A FORCE LESS WELL TRAINED. NO NEW REPLACEMENT EQUIPMENT FOR STOCKAGE IN PREPOSITIONED WAR RESERVES WILL BE BOUGHT. THE BACKLOG OF MAINTENANCE AND REPAIR ITEMS WILL INCREASE AND SUSTAINABILITY WILL DECLINE. WE ARE CONCERNED ABOUT THE TREND FOR FY-89.

U. S. FORCES, KOREA

OUR FORCES IN KOREA ARE EXPERIENCING A 17 PERCENT REDUCTION IN OPERATIONS AND MAINTENANCE FUNDING FOR THE EIGHTH ARMY AND AN 11 PERCENT CUT FOR 7TH AIR FORCE WHEN COMPARED TO FY-87. THERE ARE ALSO SERIOUS DECREMENTS IN THE ARMY MILITARY CONSTRUCTION ACCOUNT FOR BARRACKS. THE ABSENCE OF NEW CONSTRUCTION PUTS FURTHER STRAIN ON THE REDUCED OPERATIONS AND MAINTENANCE DOLLAR BECAUSE EXISTING SUBSTANDARD FACILITIES SCHEDULED FOR REPLACEMENT WILL NOW HAVE TO BE REPAIRED INSTEAD.

PRIORITIES

OUR LONG TERM PRIORITIES REMAIN DAY-TO-DAY READINESS AND SUSTAINABILITY. HOWEVER, THE DIRECT OPERATIONAL IMPACT OF TODAY'S

BUDGET CUTS ON READINESS MAY NOT BE FULLY APPRECIATED UNTIL 1989 OR BEYOND. UNFORTUNATELY, THE EFFECT ON OUR SOLDIERS, SAILORS, AIRMEN, AND THEIR FAMILIES IS ALREADY UPON US. FIRST TERM REENLISTMENTS HAVE BEGUN TO DECLINE AND PILOT RETENTION HAS ONCE AGAIN BECOME AN INCREASING PROBLEM.

OUR CHALLENGE IS TO RETAIN QUALITY IN THE FACE OF DEFENSE RETRENCHMENT. AN UNINTENDED SIGNAL THAT CAN BE SENT IS THAT OF NON-SUPPORT.

THE PAY RAISE PROVIDED IN THE FY-88 BUDGET DIDN'T KEEP PACE WITH INFLATION, AND THAT WIDENED THE PAY COMPARABILITY GAP TO 11 PERCENT. THE COMBINATION OF VARIABLE HOUSING ALLOWANCE ADJUSTMENTS, HIGHER FICA WITHHOLDING, AND THE NEW FEDERAL TAX LAWS RESULTED IN A NET INCOME LOSS FOR OVER EIGHT PERCENT OF OUR MILITARY MEMBERS, DESPITE THE PAY RAISE. CUTS IN FAMILY HOUSING CONSTRUCTION AND MAINTENANCE FURTHER DEGRADE LIVING CONDITIONS. MORALE, WELFARE AND RECREATION FUND CUTS HAVE HAD IMMEDIATE IMPACT AS FAMILY SUPPORT ACTIVITIES RAISED THEIR USER FEES. CHILD CARE CENTERS HAVE BEEN PARTICULARLY HARD HIT. CUTS TO IN-SERVICE EDUCATION ASSISTANCE PROGRAMS HAVE HIT THE VERY PEOPLE WE WANT TO RETAIN THE MOST, THE MOTIVATED SELF-STARTERS. CUTS TO THE OVERSEAS STUDENT TRAVEL PROGRAM ADDED TO THE COST BORNE BY OUR SERVICE FAMILIES STATIONED IN THE FARTHEST CORNERS OF THE PACIFIC.

PEOPLE ARE OUR HIGHEST PRIORITY. OUR WARFIGHTING CAPABILITY ULTIMATELY DEPENDS UPON HAVING THE RIGHT NUMBERS OF TRAINED AND MOTIVATED PEOPLE TO DO THE JOB. WE HAVE THOSE PEOPLE ON BOARD TODAY, BUT THEY WON'T BE WITH US FOR LONG IF WE FAIL TO ADEQUATELY PROVIDE FOR THEM AND THEIR FAMILIES. AS WE LOOK TO FY-89 IT IS IMPERATIVE THAT WE PROVIDE THE 4.3% PAY RAISE THAT HAS BEEN PROPOSED, OTHERWISE THE GAINS WE HAVE MADE IN ATTRACTING AND RETAINING THE QUALITY OF PEOPLE NOW SERVING IN OUR ARMED FORCES

MAY BE IN JEOPARDY.

A SPECIFIC OPERATIONAL PRIORITY IS USS MIDWAY. SHE IS AN IMPORTANT PART OF THE PACIFIC COMMAND'S FORCE STRUCTURE AND IS THE LEAST EXPENSIVE OF OUR CARRIERS TO OPERATE. USS MIDWAY HAS JUST COMPLETED OPERATING AT FULL CAPABILITY IN SUPPORT OF NATIONAL OBJECTIVES IN THE NORTH ARABIAN SEA.

THE MIDWAY WAS RECENTLY MODIFIED TO INCREASE BUOYANCY AFTER YEARS OF ADDING WEIGHT TO THE SHIP. THE MODIFICATION -- INSTALLATION OF HULL "BLISTERS" -- HAS PROVIDED THE INCREASED BUOYANCY. UNFORTUNATELY, THE MODIFICATION RESULTED IN A SHORTER ROLL PERIOD. THIS PHENOMENON IS NOT A PROBLEM IN GOOD WEATHER, BUT HAS THE POTENTIAL TO LIMIT OPERATIONAL FLEXIBILITY IN MARGINAL OR SEVERE WEATHER CONDITIONS. THIS TRANSIENT PROBLEM CAN BE ELIMINATED. NOTCHING THE BLISTER WILL RETURN MIDWAY TO FORMER, ALL WEATHER CAPABILITY, AND CAN BE ACCOMPLISHED DURING A SCHEDULED MAINTENANCE PERIOD AT A COST OF AN ADDITIONAL $20 MILLION. FIXING THE MIDWAY CANNOT BE LOOKED AT IN DOLLARS ALONE, BUT MUST BE PUT INTO BOTH A POLITICAL AND MILITARY PERSPECTIVE. THE PRESENCE OF THE MIDWAY IN THE PACIFIC THEATER IS A STATEMENT OF OUR INTENTION TO REMAIN A PACIFIC POWER. TO CARRY OUT USCINCPAC COMMITMENTS, AS THEY ARE PRESENTLY ARTICULATED, REQUIRES SEVEN CARRIER BATTLE GROUPS -- ONE OF WHICH IS THE USS MIDWAY.

CONCLUSION

IN A SECURITY SENSE, WE HAVE A FAVORABLE NET ASSESSMENT OF CONVENTIONAL FORCES WHEN COMPARED TO POTENTIAL ADVERSARIES. SWINGING THE BALANCE IN OUR FAVOR ARE U. S. FORCES -- PROPERLY MANNED AND EQUIPPED -- AND STRONG SUPPORTING COMMITMENTS BY OUR FRIENDS AND ALLIES TO REGIONAL SECURITY.

GROWING TRENDS SUGGEST THAT JAPAN, CHINA, AND INDIA WILL EMERGE IN THE YEARS AHEAD AS WORLD POWERS. ECONOMICALLY, JAPAN IS ALREADY THERE. KOREA IS PROPELLING ITSELF IN THE SAME DIRECTION. NORTHEAST ASIA IS A REGION WHERE THE VITAL INTERESTS OF MOST OF THE WORLD POWERS WILL INTERSECT. POLITICAL CHANGE, SHIFTING TRADE PATTERNS, FINANCIAL POWER, POPULATION GROWTH, AND AN INCREASINGLY IMPORTANT ALLIANCE NETWORK ALL UNDERSCORE THE GROWING STRATEGIC SIGNIFICANCE OF THE PACIFIC. THE POINT HAS NOT BEEN LOST ON THE SOVIETS. THEIR MILITARY FORCE BUILDUP, INTENSIFIED DIPLOMATIC EFFORTS, AND INCREASED ECONOMIC ACTIVITY CONVEY THE SOVIET INTENT TO BROADEN THEIR INFLUENCE IN THE PACIFIC. SUCCESS, IF REALIZED, COULD BE AT THE EXPENSE OF U. S. INTERESTS.

MAINTENANCE OF OUR FORCE POSTURE, ITS READINESS, AND ITS PEOPLE, WILL DETER AGGRESSION BY ANY ADVERSARY AND GIVE FRIENDS THROUGHOUT THE REGION REASSURANCES OF OUR SUPPORT. THIS PREPAREDNESS IS OUR MAJOR CHALLENGE AS WE, IN THE DAYS AHEAD, ADJUST TO A REVISED LEVEL OF DEFENSE FUNDING.

THANK YOU, MR. CHAIRMAN.

Senator **Dixon**. Admiral Webster, we thank you. Not only was it concise, but the brevity was remarkable. [Laughter.]

We welcome Brig. Gen. H.C. Stackpole, U.S. Marine Corps. And thank you very much, General Stackpole, for being here this morning.

STATEMENT OF BRIG. GEN. H.C. STACKPOLE, U.S. MARINE CORPS, DIRECTOR OF POLICY AND PLANS, U.S. ATLANTIC COMMAND

General **Stackpole**. Thank you, Mr. Chairman, Senator McCain. I appreciate the opportunity to appear before the committee on behalf of Admiral Baggett, Commander in Chief, U.S. Atlantic. I have entered a full statement for the record, sir.

Senator **Dixon**. And it will be reproduced in the record. Thank you, General Stackpole.

General **Stackpole**. My comments will be brief with regard to the strategy, our forces, the readiness and sustainability posture, and concerns within the USCINCLANT area of responsibility.

As you know, the Atlantic Command is predominantly a maritime command and the Atlantic sea lines of communication are a vital link between the United States and the rest of the world. The vast majority of the goods we trade in peacetime pass through this area, and in wartime the goods necessary to sustain the economies of the United States and Europe and nearly all the military reinforcement and resupply for General Galvin and General Richards in Europe will flow over these same sea lines of communication.

The strategy in the Atlantic remains one of deterrence and forward defense, and it recognizes the contribution of our NATO allies. USCINCLANT responsibilities and objectives are tied to those of the NATO command SACLANT. The broad objectives of this strategy continue to be:

One, to prevent the seas from becoming a medium for attack against the United States, our allies and friends, and critical United States interests;

Two, to ensure United States access to our allies, our forward deployed forces, our trade partners, and energy and mineral resources;

And three, to maintain the ability to project force in support of national security objectives and to support the land battle should the deterrence fail.

To accomplish these missions, we plan to fight the sea war as far forward as posssible. In order to win, we must take advantage of geography and, by gaining control of the Norwegian Sea, contain the Soviet northern fleet. Thus, it is a strategy which includes the principles of containment, defense in depth, and keeping the initiative.

With the early movement of naval forces to the North Atlantic, we plan to deny the Warsaw Pact ships and aircraft access to the Atlantic and to project power ashore in support of the northern flank land battle.

This strategy is an important aspect of our ability to protect the Atlantic SLOCs. The Atlantic Command's strategy must also take into account the fact that Cuba sits astride the vital Caribbean sea lines of communication through which would move the majority of the materiel to reinforce and resupply Europe.

To accomplish these missions, USCINCLANT has forces from all the services.

The day-to-day readiness of those forces is of course important. In general, readiness indicators have improved over the last several years, largely due to prior year commitment to funding spare parts, depot level maintenance, and manpower.

The key ingredient has been our ability to attract, train, and retain quality people. While the President's budget attempts to preserve our hard-earned readiness gains within the context of overall reductions, readiness in the Atlantic Command appears to have leveled off. The positive trend of the last several years could easily be reversed without continued emphasis to funding key readiness programs, particularly in the area of people.

The logistics sustainability of the Atlantic Command has also improved by large percentages in many areas as we receive deliveries of munitions and spare parts from prior year funding. Those gains still continue.

However, there are still shortfalls. We have shortfalls in preferred munitions, but in many cases, inventories of those weapons gradually improve.

There are also deficiencies in spare parts, and in war reserve material stocks to replace those resources consumed performing wartime missions. The impacts of funding reductions are not all immediately apparent, though we already project a drop in our ability to generate wartime sorties.

Anti-submarine warfare is the paramount war-fighting concern of USCINCLANT. We must cope with continued rapid improvements in the quality of Soviet submarines and hold the edge in that area. Our ability to protect the sea lines of communication and defend our maritime forces depends on it.

Our interests in the Caribbean are tied to the security, political stability, and economic progress of the island nations there. In the 5 years since the United States invested both money and lives to meet the Soviet and Cuban threat to the Caribbean region in Grenada, we have helped these Caribbean democracies make great progress. Failure to provide any security assistance in fiscal year 1988 will begin to reverse this progress.

It is the third year in a row that funds needed for balanced improvements to our conventional capability will have been reduced. As Admiral Baggett stated a week ago, if we went to war today we would still prevail at sea. But CINCLANT is not as confident as a year ago.

The impacts of reduced budgets on our readiness and sustainability must be watched carefully. Our greatest war-fighting concern continues to be the Soviet submarine force, both the number of submarines that the Soviets have and their qualitative improvements that present a growing challenge.

We must continue to emphasize the readiness and sustainability of our combat forces. We must also make the necessary investments in research and development in ships, aircraft, and weapons systems.

Finally, sir, I ask your continued support for our personnel who are the very foundation of readiness. In the Atlantic Command, our readiness remains at its highest point in years, and we must not permit it to slip away again.

Thank you, Mr. Chairman, for this opportunity to address the committee. I stand ready for questions, sir.

[The prepared statement of General Stackpole follows:]

STATEMENT OF

H. C. STACKPOLE, III

BRIGADIER GENERAL, U.S. MARINE CORPS

Introduction

Good Morning, Mr. Chairman. It is a pleasure to have the opportunity to appear before this committee. I will describe strategy in the Atlantic Command - both from a U.S. and NATO perspective, the forces available to execute the strategy and provide a brief assessment of our capabilities, focusing on our readiness and sustainability posture.

Atlantic Command

The Atlantic Command encompasses the entire Atlantic Ocean, the Caribbean and Gulf of Mexico. In addition, it includes waters in the Pacific adjacent to Central and South America. With over forty-five million square miles - mostly water - it is primarily a maritime command. The Atlantic Sea Lines of Communication (SLOCs) are a major link between the United States and the rest of the world. Through this area pass most of the strategic raw materials, petroleum and finished products which are the foundation of world trade. And it is over these same SLOCs that nearly all reinforcement and resupply shipping will flow in the event of war with the Soviet Union.

I cannot overstate the importance of the Atlantic to the U.S. and our NATO allies. In a war with the Soviet Union, USCINCLANT responsibility is to support the land campaign in Europe by ensuring the safe and timely flow of personnel and equipment over the SLOCs, and by the direct application of combat power in support of the land campaign.

Failure to keep open this link to Europe would certainly result in a Soviet victory. Regardless of how well our ground and air forces would fight, the uninterrupted flow of equipment and supplies is absolutely essential to sustain the battle.

Strategy in the Atlantic

Recognizing the challenge we face in the Atlantic, both the U.S. and NATO long ago adopted a maritime strategy based upon the principles of forward defense and containment. This strategy has not changed over the past thirty years despite changes in weapons, forces and the relative strengths of NATO versus the Warsaw Pact.

Forward defense, simply stated, means that in war our best opportunity to defeat the Soviet Navy, defend the Northern Flank of NATO and maintain an unbroken link with Europe is through the early movement of naval forces to the northern sector of the Atlantic Command. If such movement can be accomplished prior to the outbreak of hostilities, it would signal our resolve to prevent the Soviet Union from activities which could trigger a war.

The advantage of forward defense is that if we are unable to deter war, then our forces will be in position to fight and to contain the Soviet Navy in waters far north of the Atlantic sea lines of communication. If we can fight there, containment is far simpler than if the Soviet Navy is able to reach the open Atlantic south of Iceland. We do not have sufficient forces to simultaneously support the Northern flank and adequately defend the SLOCs against a Soviet Navy deployed in large numbers throughout the Atlantic. Forward defense allows us to minimize this significant Allied weakness, while at the same time permitting us to capitalize on the Soviets' geographical disadvantages. Their road to the open ocean is narrow and fifteen hundred miles long, it passes adjacent to a network of NATO eyes and ears, and offers us an opportunity of which we must take advantage.

Critical to success in a campaign in the Norwegian Sea is our ability to retain NATO facilities both in Iceland and in Norway. If we lose North Norway and Iceland, our position in the Norwegian Sea would be untenable for all Allied surface and air forces. Again, the early movement of forces would deny the Soviets such an opportunity. So, you see, it is in large measure a zero sum game with the balance tipping to the side which takes prudent action early.

U.S. Forces

To accomplish the mission, Atlantic Command is assigned or apportioned forces from all services. The apportionment of forces and resources varies depending on the conflict, whether global or regional.

The Atlantic Fleet is our largest component consisting of 29 ballistic missile submarines, 50,000 Marines of the Fleet Marine Force Atlantic and totaling over 300 ships and 2000 aircraft. The Atlantic Fleet also provides assets to USCINCEUR and USCINCCENT. Air Force Atlantic could provide up to 1400 tactical aircraft, B-52 bombers, KC-135 tankers and E-3A AWACS aircraft should they be required. Army Atlantic forces could consist of up to three combat divisions. The Fleet forces have always been assigned to USCINCLANT. With the enactment of the DOD Reorganization Act, USCINCLANT now has 12 Air Force fighter squadrons assigned, one permanently in Iceland, and several support units. There is also an Army Brigade assigned to LANTCOM on a day-to-day basis.

Allied Contributions

A dominant factor in Atlantic Command planning is the NATO Alliance. As I touched on earlier, successful defense of the Northern flank of NATO is vital to containing Soviet forces and defending the Atlantic SLOCS. This strategy relies heavily on the NATO coalition.

In SACLANT, non-U. S. NATO forces provide forty-three percent of the destroyers and frigates, nearly one-quarter of the nuclear attack submarines and maritime patrol aircraft, all of the general purpose submarines and the only two ASW carriers. These nations provide virtually all of the mine countermeasures ships and nearly one-half of the reinforcement and resupply shipping. Our NATO allies are absolutely essential to cope with the 350 Warsaw Pact Northern and Baltic Fleet submarines and surface combatants that can oppose us. The existence of NATO and the contribution of our European Allies to the common defense allow the U. S. to maintain a smaller Army, Navy and Air Force than would otherwise be prudent. If war were to occur with the Soviet Union, U. S. success would be inexorably tied to the substantial contributions made by our Allies.

Readiness Posture

We lack forces in sufficient number to execute all wartime tasks simultaneously with acceptable risk. Therefore the readiness of our forces is critical. The readiness of the active forces remains at an exceptionally high level. Unit readiness indicators have increased over the last several years, largely due to prior year commitment to funding spare parts, depot level maintenance and manpower. The foundation of our improved readiness has been the ability to attract and retain quality people.

The readiness of our component forces remains high. The Navy, including the 312 active and reserve ships of the Atlantic Fleet, continues to operate at an unprecedented peacetime level. Last year we reported that overall combat preparedness for surface ships had improved 111%, submarines 69%, and aviation squadrons 200%. These figures represent the percent increase from FY 81 to FY 87 in the number of days the units reported C-2 or better. (C-2 - unit possesses resources and has accomplished the training necessary to undertake the bulk of the wartime mission for which it is organized and designed.) However, during the past year that improvement in preparedness has leveled off, and we may be seeing the first indications of decline.

OPTEMPO is measured in steaming days per quarter for ships and in flying hours required to be primary mission ready (PMR) for Naval pilots. Atlantic Fleet OPTEMPO funding is being retained at adequate levels of 31 days for non-deployed ships, 50 days for deployed ships and 87% PMR for the aircrews, including 2% from simulators.

Active and reserve Air Force units assigned to USCINCLANT are also mission ready. Aircraft mission capable rates average over 83% -- a 43% increase since 1980. However, in the last year we have seen an indication that Air Force mission capable rates also have leveled off. Aircrew indicators such as average sorties per month, pilot experience, and exercise training all show marked improvement over the early eighties. The aircraft mishap rate is half what it was in 1980.

Active Army units are ready to accomplish their wartime missions and their preparedness remains high. National Guard combat force preparedness has generally increased over the last year and these forces are also ready to accomplish their wartime mission. The remaining apportioned Army forces, comprised of the Reserve combat and Reserve and National Guard combat support and combat service support units, have serious shortfalls in resources and equipment to undertake major portions of their wartime mission. They lack essential theater stocks, medical equipment and trained personnel.

Sustainability Posture

The logistics sustainability of Atlantic Command forces also continues to improve as we receive the deliveries of munitions and spare parts procured with prior year funding. For instance, the Department of the Navy sustainability funding has had real growth of 13 percent over the last six years. Atlantic Fleet munition inventories increased by over 200% for level of effort and 150% for threat ammo between FY 81 and the end of FY 87. Afloat spares have improved by 33 percent; and average off-the-carrier requisitions for mission-critical aircraft spare parts is 12 to 15 compared to 20 last year and down by a factor of twelve compared to 1983.

Our Air Force component's sustainability has also improved since 1981: level of effort ammo increased over tenfold, threat munitions more than doubled, and the ability to generate tactical aircraft sorties from wartime spares availability increased by over 70%. Sortie generation capability from spares sustainability ranges from 87% to 100% in FY 89, directly attributable to the full funding in FY 85, up to three years procurement lead time and the carryover of existing repairable spares.

The Army has also realized significant Service-wide sustainability improvements. However, the theater reserves of our Army component continue to have serious shortfalls.

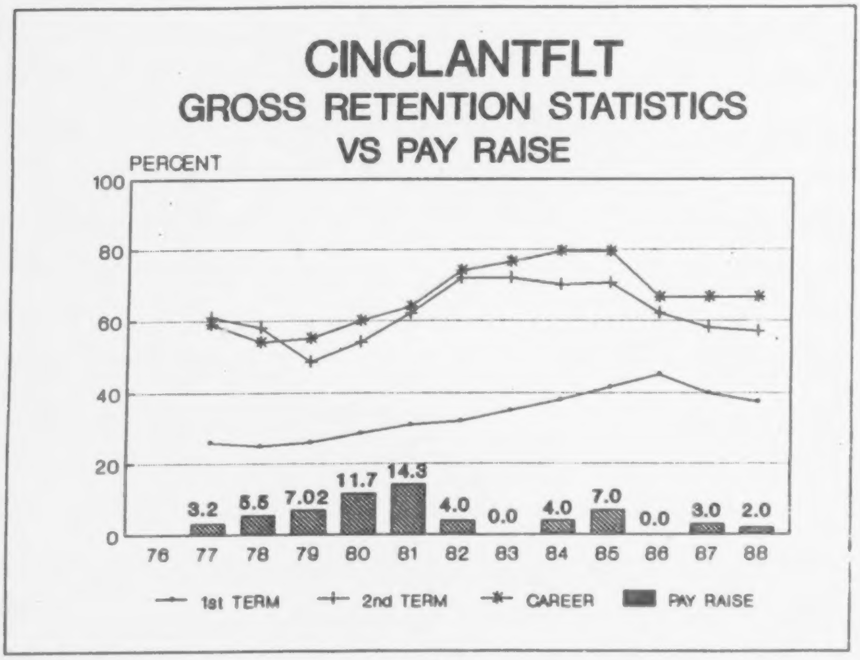
Although the Services experienced cuts in munitions and replenishment spares funding, the FY 88 and 89 budgets continue incremental growth necessary to improve some logistics sustainability capabilities.

Concerns

Readiness: Our ability to fight today is built on two pillars: material and personnel. The President's Budget attempts to preserve our hard earned readiness gains within the context of overall reductions. Even so, it is safe to say readiness within the Atlantic Command has leveled off and the positive trend of the past eight years could easily be reversed. The full effect of inadequate funding in readiness programs will not be reflected in unit readiness reports for several years. It will take time for ships, aircraft squadrons, and battalions to draw down spare parts stock levels and for equipment reliability to decline.

True to the precedent of the late 1970s, the first indicator of trouble ahead is personnel. People are at the heart of readiness. It takes a decade to grow a skilled Chief Petty Officer, Tech Sergeant or Gunnery Sergeant. No level of recruiting can substitute for experience should retention of our senior people begin to erode. Nor can readiness be sustained for long by asking our current force to do more with less. The adverse impact of inadequate end strength increases in the face of an expanding fleet is already being felt. After several years of drawing down shore support to preserve end strength at sea, the Navy has this year found it necessary to cut across the board. In addition to delaying officer promotions and enlisted advancements, Navy has directed that sailors completing obligated service this fiscal year act on reenlistment decisions by 13 May. Those who decline to reenlist will be separated as soon as possible. If, as projected, half choose to leave, the overall readiness of the Atlantic Fleet will drop.

Retention of experienced personnel is tied directly to length of family separation and adequacy of pay (figure 1). Our people deserve stability in both categories. Unfortunately, inadequate end strength ceilings and pay caps will force more at-sea time for less pay.



(Figure 1)

To prevent reliving an erosion of talent which took us eight years to correct:

-- the existing 11 percent fair pay differential must be quickly closed, and

-- end strength must be funded to fully man operational units without a further reduction in shore support.

We cannot wait until material and personnel readiness, retention and recruiting statistics prove that our people have lost faith in your commitment to them.

Sustainability: The logistics sustainability of Atlantic Command forces continues to improve as we receive deliveries of munitions and spare parts from prior year funding. However, in spite of significant improvement since 1981, there are still many serious shortfalls. As an example, of the 17 applicable material sustainability ratings (S-ratings) of our components, only one is category S-1, fully combat sustainable.

While the Atlantic Fleet today is deploying combat ready Battle Groups, there are shortfalls in preferred munitions for the total number of Battle Groups required in wartime. This applies not only to the carriers, but to the surface ships and submarines to a lesser degree. Shortfalls are primarily in air-to-air and anti-radiation missiles, torpedoes, sonobouys, and weapon handling equipment.

AFLANT ordnance sustainability is much improved since 1981, both in level of effort and threat munitions. However, like the Navy, there are still shortfalls in preferred munitions. Air Force Peacetime Operating Stocks (POS) funding has been reduced in both FY 88 and FY 89; War Readiness Spares Kits (WRSK) and Base Level Self Sufficiency Spares (BLSS) funding also has been zeroed for these two years; and Other War Reserve Material (OWRM) funding has been zeroed since FY 86. Based on expected funding coupled with the reductions of the past four years, the projected sortie generation capability shows a dramatic decline from the FY 88-89 ranges, dropping about 15% by FY 91.

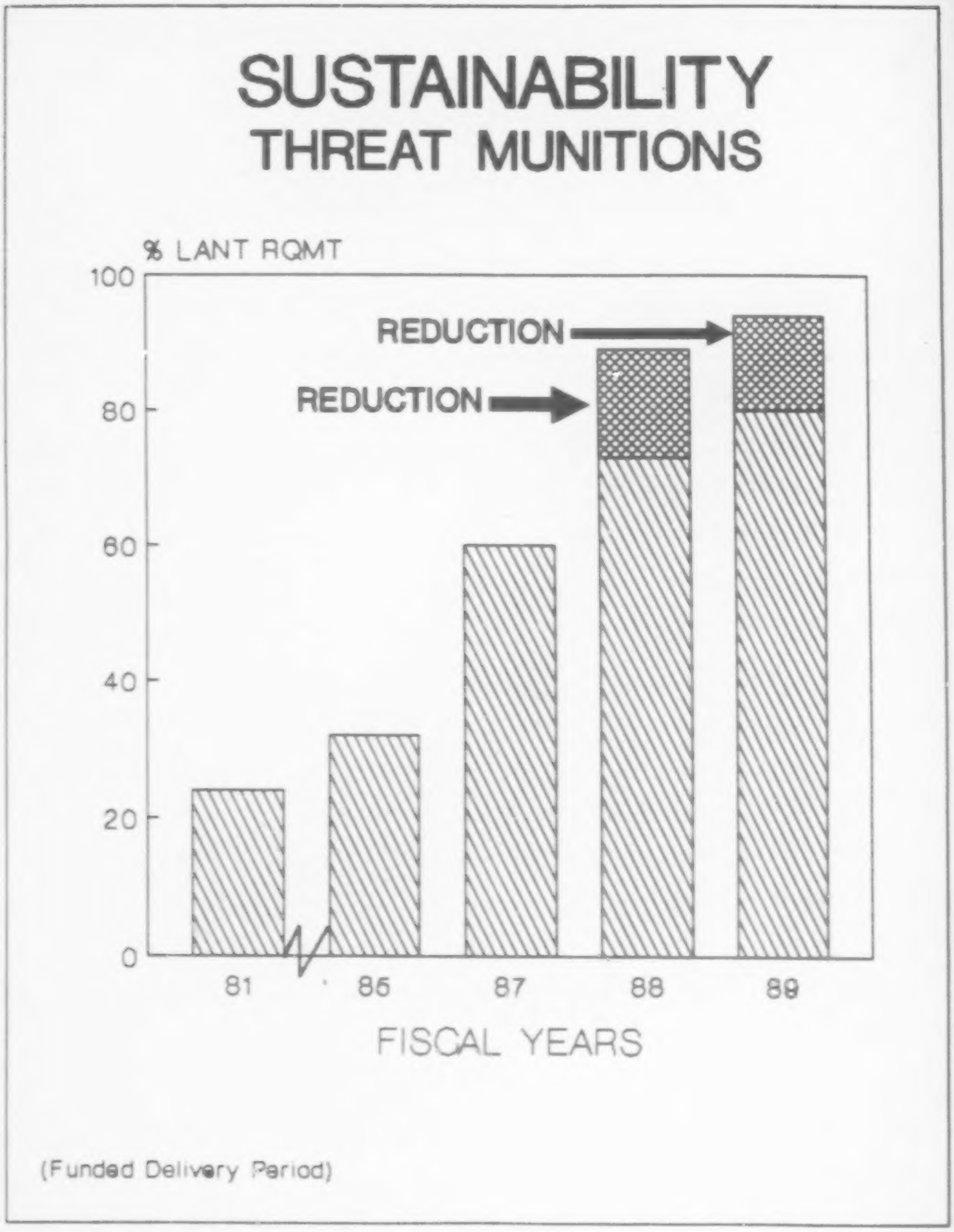
Although there are not large numbers of Army forces apportioned to the Atlantic Command, they provide unique mission capability for which there is no backup. The reserve component units have serious shortfalls and unsatisfactory sustainablity ratings in all reported categories. They lack essential war reserve stocks.

Overall, there have been dramatic improvements in sustainability since 1981; however, due to the almost negligible starting levels in some areas and the last four years of negative budget growth, we still have warfighting shortfalls that will not be met with expected funding. Figures 2, 3, and 4 show the overall Atlantic Command sustainability posture.

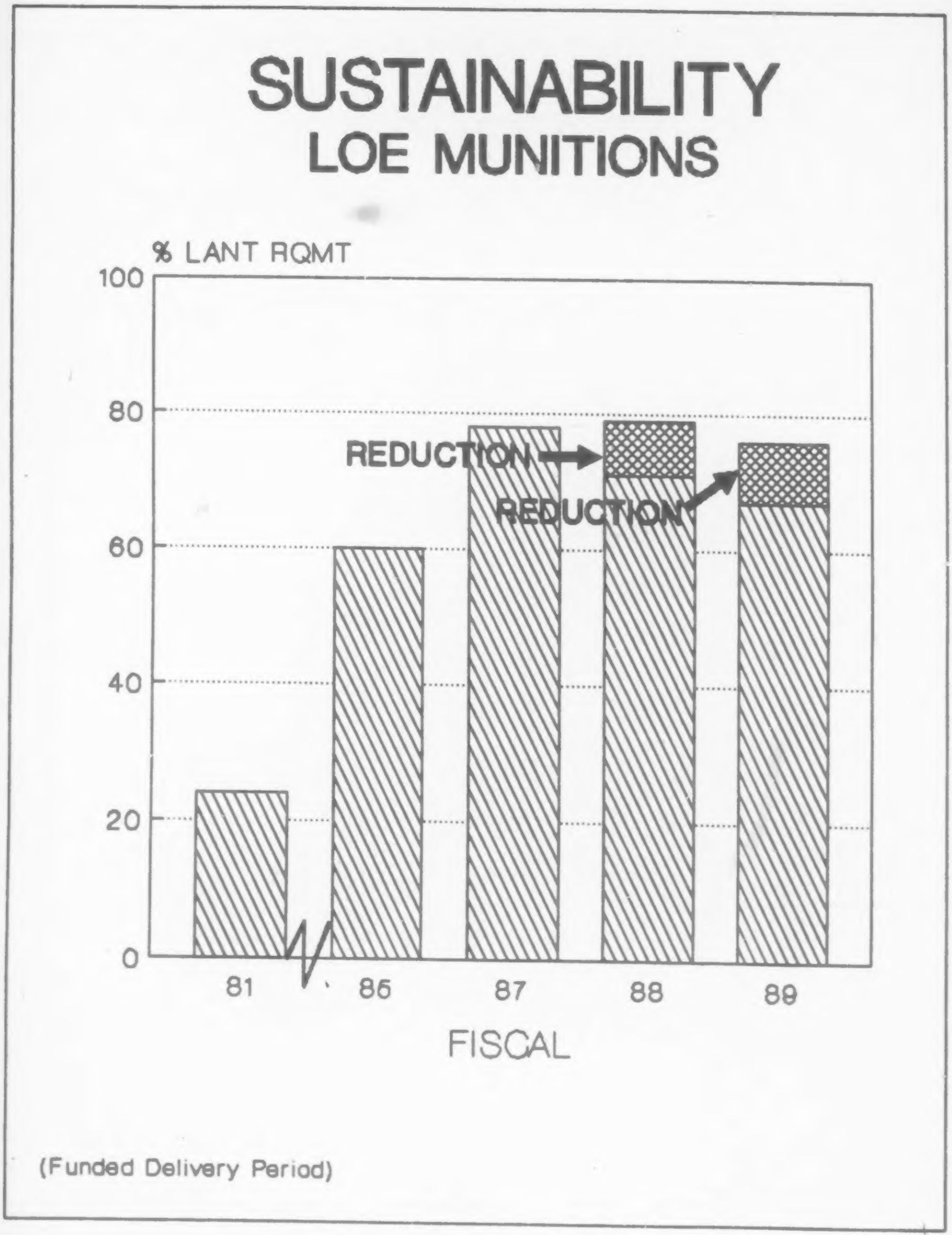
In addition, prepositioned war reserve materials are not adequate, including battle damage repair parts, to support forward areas. Medical shortages exist in required hospital beds, medical equipment and personnel. There are also shortfalls in equipment needed to conduct and sustain operations in a chemical environment.

We must fix these critical shortfalls, beginning with ASW weapons, air-to-air missiles and preferred munitions. The most serious concerns, all partially funded to meet required inventories, are:

- air-to-air missiles (AMRAAM; PHOENIX)
- anti-radiation missiles (HARM)
- torpedoes (MK 48 ADCAP; MK 50)


SUSTAINABILITY
THREAT MUNITIONS
% LANT RQMT
100
80
60
40
20
0
REDUCTION
REDUCTION
81
86
87
88
89
FISCAL YEARS
(Funded Delivery Period)

(Figure 2)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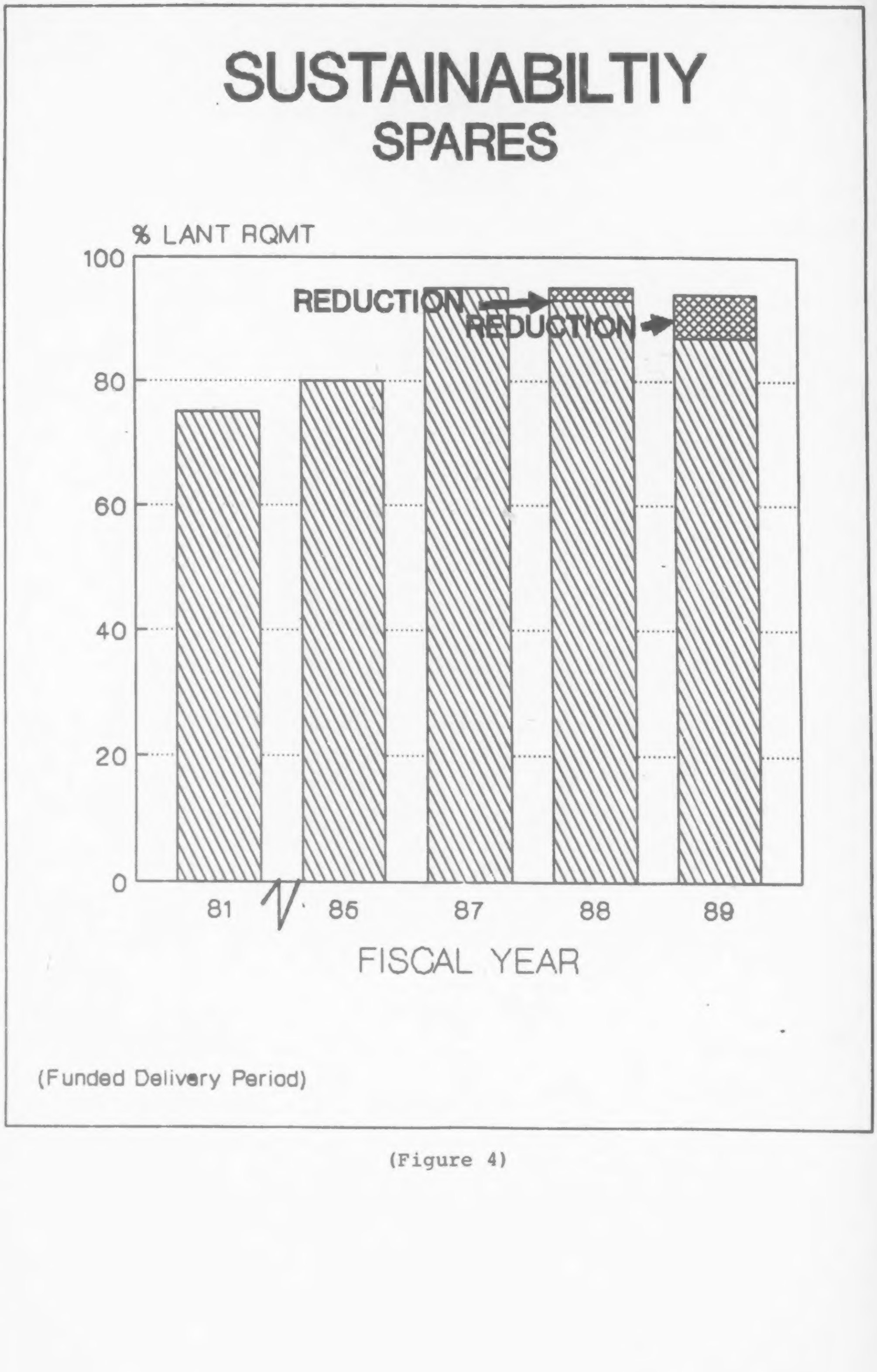
FISCAL
(Funded Delivery Period)

(Figure 3)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REDUCTION
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FISCAL YEAR
(Funded Delivery Period)

(Figure 4)

- sonobouys
- other preferred weapons (IIR MAVERICK; SM-2 MR)
- replenishment spares
- war reserve stocks
- POL
- equipment to sustain operations in a chemical warfare environment

In addition, the FY 89 Budget includes important MILCON projects that ensure adequate support for CINCLANT's warfighting capabilities (POL storage and spare parts warehouse at Keflavik and a support facility on Antigua).

ASW: The overall quality of our ships and aircraft is superior to that of the Soviets, although they are continuing to close that gap. A major concern is our ability to cope with the continued rapid improvements in the quality of Soviet submarines. Anti-submarine warfare (ASW) remains the highest warfighting priority of USCINCLANT. The FY 89 Budget supports a balanced program to modernize all the elements of ASW and must be protected. Despite overall funding reductions, we must continue to make the necessary investments in procurement of improved ASW systems and in research and development if we are to reverse the downward trend in our qualitative advantage. We must not allow our positive momentum in this crucial area to erode -- if we do, there is the very distinct possibility that Soviet submarine improvements will surpass our ability to counter them.

Security Assistance: The programs that make up security assistance provide us leverage disproportionate to their relatively small investment. Our assistance enables nations to develop an indigenous security capability and strengthens ties to U. S. through equipment, training, and advisors. Since 1984. the

U. S. has invested $740M in Security Assistance for Caribbean island nations. The impact of zeroed FY 88 Economic Support Fund (ESF) and Military Assistance Program (MAP) funding will be to jeopardize our relationship with nations which were initially reluctant to accept equipment due to operating costs, but overcame reluctance with U.S. assurances we would not abandon our support in future years. Abandonment at this juncture:

- will result in loss of U.S. credibility and confidence.
- will lead to degradation of security force capabilities developed since 84.
- will reverse the growing contribution these nations are now making to drug interdiction.

If assistance is terminated now, it is unlikely to resume due to high start up costs. In FY 84-87, we expended $86M in MAP and peacekeeping operations funding to establish existing programs. We need $11.3 million to sustain critical programs underway like the Regional Security System (RSS). Compare this with what the Soviets are doing in Cuba, where they provide about $1 billion per year in military aid and about $4.5 billion per year in economic support.

Net Assessment

Obviously, we lost combat power with the FY 88 $21 billion reduction and the $33 billion reduction in the amended FY 89 budget request. Together, the magnitude of the reductions amount to about ten percent. While we are not in extremis, there is clearly an increased risk associated with declining defense spending.

Our ability to maintain and improve our posture will depend heavily on holding the steady course that has been set to rebuild our forces and the tradeoffs we have made to keep those forces ready and sustained. In the first half of the eighties, substantial growth occurred in defense spending with a very large percentage of the growth applied to spare parts and ammunition, which improved both readiness and sustainability of our forces. Modernization and force levels funding also experienced growth, but to a lesser degree.

While reducing funding in various areas to accommodate recent Congressionally mandated budget cuts, the Services have protected funding for the programs which contribute directly to readiness. For instance, the Navy has reduced funding for modernization, spare parts, ships and aircraft. The FY 89 amended budget submission retires 16 Navy firgates early and delays activation of the fourteenth active Carrier Air Wing. The Air Force has reduced to 36 tactical fighter wings in FY 89--eventually dropping to 35 TFWs. Fighter procurement was also cut, and funding was reduced for spare parts and some modernization efforts. For both Services, FY 88/89 munitions funding, while still increasing many stocks, reflects slowed improvements in sustainability levels of threat and level of effort munitions.

Conclusion

The strategy of forward defense is sound, despite reduced funding and the new requirements resulting from the INF treaty. In fact, perhaps more than before, we must be poised to capitalize both on our strengths and on Soviet weaknesses. The Atlantic Command strategy will permit us to do both.

We support the overall priorities and balance of the FY 1989 budget. Further reductions or changes to its basic composition however, could substantially accelerate a decline in current military capability. In particular, further caps on military pay and end strength could begin an exodus of talent from which we would be hard pressed to recover. The readiness of our Atlantic Command active forces and most of our reserves remains high. We must not fail to meet the challenge and allow this positive momentum to slip away.

This completes my presentation and I am prepared to answer your questions.

Senator DIXON. General Stackpole, we thank you as well for the conciseness and the brevity of your remarks.

And the Chair will recognize the distinguished Senator from Arizona to begin the questioning.

Senator MCCAIN. Thank you, Mr. Chairman.

I also want to thank the witnesses for their very illuminating and concise statements. As I mentioned in my opening statement, I read with great interest their testimony and I think it is very important, particularly at this very critical time of reduced defense budgets.

I know that they have had to make some extremely difficult and sometimes agonizing decisions, and I know that we support them in what they are trying to achieve, to live within this significantly reduced budget, not only this year but in planning for the future.

IMPACT OF DEFENSE BUDGET REDUCTIONS

In that light, I would appreciate it if each of the witnesses could provide a brief statement and then perhaps some more detailed statement for the record on the impact of their reductions in the current FYDP since President Reagan's original fiscal year 1988 defense budget request and that impact on the readiness, sustainability, and support capabilities of the commands that they represent at the end of the current FYDP, and the risks these reductions impose in terms of mission capability in meeting our defense commitments, and if also you could perhaps mention how you view the long term trends of the significantly reduced budgets that we are going to be grappling with in the next few years.

We could start with you, General Richards.

General RICHARDS. Thank you.

I do not think at this point we in the European Command can forecast what the 1990 to 1994 FYDP is going to look like, and that is really the one that is going to be of most concern to us, and what happens between now and that time.

I can safely say that, if the cuts that we are looking at now, the ones that we looked at in 1988 and the ones that we are looking at in 1989, continue, it is going to have a drastic effect on our capability to do our mission in Europe.

We are already short, and we have talked about those shortages. But that is not to say we cannot do our mission now. In fact, I have been in the service for well over 30 years now and this is the finest fighting force I have ever seen in my career.

And I am talking from the perspective of the people we have, the well-trained, motivated people, to the kind of equipment we have, the most modern in the world today and the most capable in the world today.

But I would make the analogy to the athlete, the well-trained athlete, and say that as long as that athlete is training he can do his job, but as soon as you start taking training time away from him his capability deteriorates rapidly. And the same thing will happen to our military.

Although, as I said, we have some shortages today, we can still do the mission in Europe. And we think that the risk built into the 1989 budget is minimally acceptable. We can do our job now, but the years ahead will be absolutely critical.

And if we continue to take the cuts of the magnitude that we are looking at now, I think it is going to be disastrous. I think it is going to be a return certainly to the seventies.

And if you will indulge me for a minute, I might just say that I remember the times when we did to ourselves what it looks like we are trying to do again, and that is not sustain our effort to maintain a credible fighting force. I was stationed in Japan in 1950 as a young soldier when we were called upon to go to Korea, and this was an Army that 5 years before was the finest fighting force in the entire world and probably that the world had ever seen.

And by the time we went into combat in 1950 in Korea—and I was in the lead unit—we were manned with—let me say, before we went in, we did not train; we paraded. We spent a lot of time parading and polishing brass.

When we went into Korea in 1950, that first day as we moved forward we had one bandoleer of ammunition for each rifleman, one box of ammunition for a machinegun, seven rounds for a .45, 15 rounds for a carbine, one grenade for every two riflemen.

And you know what happened to us in the early days of Korea. We lost. We lost a lot of professionals, a lot of skilled combat infantrymen who fought all the way through the Second World War.

And so I remember that, and I remember where we were before Vietnam. I went into Vietnam early in the war and went back several times, and I saw us get more and more ready to do the job that we were required to do. But I also remember those early days, and we cannot afford to let this country return to those days when we are unable to do the mission that we are called upon by our Government to do.

Right now we have a worldwide strategy. We are going to have to decide as we draw down the budget whether we want to do all of the things that we are asking our military to do now. That is a decision that will have to be made at the highest levels of this Nation.

I just would say, do not let the troops down again. We have done it over and over again, and history should be a good teacher. We can do our job now, but if we continue the cuts that we are looking at throughout the FYDP, it is going to have a disastrous effect on our ability to do the job.

Senator McCain. Thank you, General. That is a very eloquent statement.

General Patte.

General Patte. Senator, we have much the same situation insofar as the FYDP. As you know, this will be debated in the Defense Resource Board deliberations this coming summer, and I might say that our CINC will have full involvement in those sessions and certainly, as I know him, will come up fighting for what he thinks we need.

And so to attempt a forecast at this stage is perhaps a little premature on my part. In a way, our position in CENTCOM is a little different from the European Command since we have no real troops assigned on a day-to-day basis other than those in the gulf.

Ours are largely planning troops. But there are certain aspects which do concern us, and I would certainly like to cover some of them and some of the reductions in the President's budget and also some of the potential reductions which worry us quite as well.

We foresee perhaps a potential reduction in the C-17 program, which concerns us quite heavily because we are dependent on that aircraft for much of our airlift in the future, as our airlift of course becomes so important to the deployment of our troops.

We are concerned in the future about a sealift shortfall. The recent study by the Maritime Administration has forecasted a much quicker degradation of the United States fleet available ships than we had forecasted, which means that we will not in fact reach our goal of 1 million short tons in the late 1990's, as had been previously forecast.

As far as the actual cuts are concerned, there were some fiscal 1989 reductions in the readiness of the O&M portion of the Reserve budget, which will prevent substantial increases in the OPTEMPO which we had hoped for and will hold the quantities of Guard and National Guard and Reserve forces to the 1987 level roughly in overall strength, rather than continuing to expand the structure, which had been our hope.

I mentioned in my opening statement the reduction in the WRSK moneys in the Air Force. This will affect primarily the F-15 and the F-16. In the special operations area, it will affect the C-130 and the HH-53 helicopters. This was an Air Force decision in order to meet Gramm-Rudman-Hollings TOA limits.

As far as the level of effort munitions, days of supply, the 1988-1989 budget only gives us a short time, which is not terribly good from our standpoint.

So those are some of the actual reductions which happened and which cause us some concern.

Senator McCain. Could I ask you to repeat what was it you had to do in order to meet Gramm-Rudman?

General Patte. The 1989 reduction of the WRSK. These are the war reserves for some of the fighters. There was a reduction in the 1988, 1988 to 1989 President's budget, a requirement of $204.7 million for the F-15 and F-16 repair parts.

Senator McCain. I am very grateful that my friend Phil Gramm is not here, General, because I think he would take exception to that Gramm-Rudman mandated any specific cuts.

General PATTE. I certainly did not intend to portray that, Senator. The Air Force—it was an Air Force decision in order to parcel out what they felt was their part of the dollars allocated.

I certainly did not intend to lay the blame on either one of those distinguished gentleman. But obviously, the Air Force has places to look for to make reductions and they chose to make that one, which concerns us.

That I think gives it a pretty general idea of what the reductions were, Mr. Chairman, in our area.

Senator MCCAIN. Thank you.

Admiral Webster.

Admiral WEBSTER. Yes. Senator McCain, I certainly echo General Richards' statement that the key to readiness is practice, practice, practice, which really gets into the business of training. Our components have had about a 10-percent decrement in the funding of operations and maintenance. This results in a reduction in the training tempo which, in time, will degrade readiness.

However, through a balanced approach we have been able to minimize the impact on training even so, we have had to reduce the scope of some exercises and cancel one or two. We have kept a high priority on training because that is what we feel is one of the keys to readiness. We have over 85 exercises a year with our allies in the Pacific Command.

However, other impacts which come about in the sustainability area are the fact that, although we will be able to improve our sustainability levels of modern threat-oriented munitions, "level of effort" munitions are basically going to stay the same. We are not going to be able to obtain the increase that we had planned prior to the revised fiscal year 1989 budget.

Concerning depot level maintenance, we are going to have to defer some restricted availabilities, as well as possibly an overhaul in the Pacific Fleet.

Certain areas in depot maintenance are not going to be funded. So this is going to have, in the long term, somewhat of an effect on our ability to provide fully ready aircraft and ships and tanks to our forces.

The immediate impact we think will be minimal. We have taken a balanced approach and we have concentrated on training and exercising. In the area of spare parts, we have done an analysis with regard to how this budget will affect the days of spare parts. There will be a gradual decrease, but it will not be significant in the near term.

Briefly stated, this is a general overview of how this budget is going to affect us Senator McCain.

Senator MCCAIN. Thank you, Mr. Chairman.

General STACKPOLE. Senator McCain, the same situation applies in the Atlantic Command. It is very difficult to figure out what will happen in the out years. We came to talk about the 1988–1989 budget. However, there is no doubt that the trends that we have seen, having leveled off, are now on a slippery down slope.

If the trend continues, that leveling will directly affect the ability of the Atlantic Command to carry out its mission. Areas such as depot maintenance backlog, now over $2 billion for all of the services, will have a direct effect in the out years, particularly on ship overhaul, resulting in deferrals. We will have aircraft repair problems as delays are incurred, and exchangeable parts will experience shortages that will stay with us.

It creates an inefficiency for us then, because it costs much less, as we are all aware, to repair a spare part than buy a new one. And the lead times are shorter for repair, and there is a large inventory of exchangeables.

There is a direct impact on the Atlantic Fleet at the moment because of funding shortfalls. The fleet has deferred 11 selected restricted availabilities. This results in 17.9 ship-months of maintenance backlog, and of course this will carry over into out year operations and maintenance.

The cuts have also caused us to have to cancel flight hours and exercises. In fiscal year 1988 the flying hours and OPTEMPO right now are adequately funded; continued low levels, however, will impact readiness even further.

Right now the OPTEMPO is 31 days for ships in the local area and 50 days of sailing for ships deployed out of area. We would like to keep it at that level. Whether or not we can in the future will depend on the funding and the maintenance programs.

People are an immediate impact to us. As we talk about smaller, but not hollow, forces, we are concerned about the impact of losing trained personnel. It takes a decade to train a petty officer and a tech sergeant in certain skills, and if we start to see that kind of expertise erode we will continue to see the buildup in repair shortages and other problems, that again will impact on the readiness and efficiency of those who fly the airplanes and man the ships.

And so definitely there is a very drastic outlook for us in the out years. We do have input, of course, under the DOD reorganization through the integrated priorities list for Admiral Baggett, through the three POM briefs, and of course a final look at the POM scrubs in terms of out years.

But all of his needs notwithstanding, if the funding effort is not there, then his ability to influence the action will be indeed a Pyrrhic effort.

Senator McCain. Thank you.

Mr. Chairman, I have several questions for the record and, with your indulgence, I would ask one more question of General Richards.

READINESS AND MISSION CAPABILITY

General, I am concerned with the problems in the European command's reporting system that you discussed on pages 12 to 14 of your testimony, and could you provide, either state for the record or some indications now as to the steps you are taking which can be used so that we can estimate readiness and a mission capability in a net assessment sense?

I would also like to thank Admiral Webster for the assessment that was in his statement. I think it was very helpful and I think it was very educational for this member anyway.

Please, General.

General Richards. Yes, Senator McCain. I think we all know that the C and S ratings that we currently use, our commanders currently use, are not acceptable ratings outside of the context in which they are intended to be used. It is really not a measurement of our capability to go to war.

It is a snapshot of that unit's capabilities at a given time and, as we know, as units transition to new equipment, readiness appears to go down when in fact readiness, overall readiness of the organization, say USEUCOM does not go down; it is enhanced.

We are working currently with the JCS to devise a new system. When we will have that I cannot forecast at this time. But I am hopeful that within the next year we will have a rating system that will allow us to look at the total capability of organizations to do their mission based on munitions stockpiles and everything else that it takes to fight over a sustained period of time, so not just a snapshot, but a much better picture, a picture that looks at capability over time.

Senator McCAIN. Thank you. I think that is very important, and I am glad you are concerned about that, because it is very difficult for us to get a handle on overall readiness and sustainability. And obviously that is going to be more and more focused upon as we come through the decisions that lie ahead of us.

Thank you, Mr. Chairman.

Senator DIXON. Thank you, Senator McCain.

And now we will recognize the distinguished Senator from South Carolina, who is fresh from his victory in persuading the committee unanimously to approve for confirmation on the floor of the Senate a Secretary of the Navy from South Carolina.

Senator THURMOND. Well, he is just a good man, I think. [Laughter.]

LACK OF ARMY COMBAT SUPPORT PREPAREDNESS

I think the committee would approve any man as good as he is. Thank you very much.

Last year this subcommittee received testimony concerning the lack of preparedness of Army combat support and combat service support units supporting European Command and Central Command. I am wondering what improvements have been made over the past year, and how have the cuts in the Army's other procurement accounts impacted their ability to improve this situation?

General RICHARDS. Senator Thurmond, I will take that on first. I can say that we have made some progress in improving the Army's combat support and combat service support capability.

As you know, most of the units that we rely on in Europe for reinforcement of Europe come from the Reserve forces. And we have had about a 10 percent improvement in those forces, both in readiness and in equipment, in the last year.

But that certainly does not bring us to the level that we would like to see the Reserve forces. Significant problems still exist in those units, combat service support and combat support.

So real problems still exist in CS and CSS. The Army recognizes that. We recognize that in the theater, and we are all hoping that we are going to be able to fix that problem over time.

It is not a problem that we will fix within the next couple of years, because it is a large problem, a very large problem.

Senator THURMOND. General, I noticed you have an infantryman's combat badge and also a parachute badge.

Senator DIXON. I noticed that as well, may I say.

Senator THURMOND. How did you get in the Air Force?

General RICHARDS. Well, I would say if I were in Air Force company that I saw the light. But since I wear a purple suit, I will just have to say that I wanted to branch out.

And I would further say that even before I started my career in the Army, I started off in the naval reserve and so I sailed aboard a ship as a young seaman and then joined the Army, and now I am in the Air Force and in a purple suit now.

Senator THURMOND. You are trying to get experience in all the services.

General RICHARDS. Yes, sir, trying to get qualified as a joint commander.

Senator THURMOND. Maybe some day you will be Chairman of the Joint Chiefs of Staff.

MUNITIONS STORAGE PROGRAM

General Richards, last year the Congress authorized the Air Force to begin the alternate munitions storage program in Europe, subject to approval for NATO infrastructure recoupment.

What is the current status of the NATO review of this program?

General RICHARDS. We are optimistic that NATO is going to fund that through the infrastructure funding, the building of the weapons system vaults and some of the other storage facilities that we need. It is looking quite good.

And I can tell you that recoupment has been a great success story. Last year in the USEUCOM, we had the best year ever in recoupment and de-obligation. We were looking a couple of years ago, in 1980, at a deficit of about $500 million.

We have whittled that down to less than $100 million, and we have a very ambitious program to recoup and de-obligate the rest of that money. So we are making good progress, and I am happy to say that I am optimistic about a NATO infrastructure funding for those weapons vaults and the other storage areas that we need.

Senator THURMOND. Now, these questions I would ask and either you can answer them or any of the other gentlemen with you.

FACILITIES FOR AH-64 ATTACK HELICOPTERS

It is my understanding that the United States has sought NATO eligibility for some of the construction costs associated with the deployment of the AH-64 attack helicopters to Europe. Would you comment on this?

General RICHARDS. Yes, I will take that on, too, since that applies primarily to our theater. Again, very optimistic that NATO is going to fund those facilities. Of course, we are starting off asking to fund those so that we can get those helicopters into the theater, because they are desperately needed and certainly increase our war-fighting capability, at least that of the Army.

And I am very optimistic that NATO will fund the facilities that we need for the AH-64.

Senator THURMOND. Is it true, General, that Great Britain is the only country that has yet to approve the Apache for NATO eligibility?

General RICHARDS. Yes.

NAVAL SUPPORT ACTIVITY IN NAPLES

Senator THURMOND. The Navy has sought for some time to relocate the naval support activity in Naples to a new location. What is the current plan for new facilities? And perhaps the Admiral would want to answer that.

General RICHARDS. I had better answer that one, too. That is Project Pronto and it is the $92 million program to relocate the current naval headquarters facilities there, U.S. facilities, away from the site that they occupy now. That site is on unstable ground. It is near the crater of a volcano.

Seismic disruptions are not uncommon there. Many of the buildings in that area have been split and some of them unoccupied as a result of that action. And so we need to consolidate the facilities and move them to the new location that we have approved.

It is a modest start-up program. I think we have about $22 million, I think in that program at this point. We are asking for about $22 million to start it. But it is a much needed move and consolidation of those naval units there. We cannot move them into the NATO headquarters because there is not room and it would not be appropriate. And so we need a new site.

HIGHEST PRIORITY MILITARY CONSTRUCTION PROJECTS

Senator THURMOND. I would like to ask this question for all of the members to answer. What are your commanders' highest priority military construction projects? And if need be, you could submit the details for the record.

General RICHARDS. I would say that our highest priorities in USEUCOM looking back on the commander's integrated priority list that he submits each year to the Chairman and to the SECDEF, remain people. People are our highest priority, and then followed closely by readiness and sustainability.

Senator THURMOND. And that is the Air Force? You are speaking for the Air Force?

General RICHARDS. I am speaking for the U.S. European Command, not for the Air Force, although our priorities are certainly in line with and consistent with the priorities of the U.S. Air Force, and I think of the other services.

Senator THURMOND. Maybe I did not explain that well. That was your highest military construction priority.

General RICHARDS. Then I would go back to the Project Pronto, which is the relocation of the Navy facilities in Naples to the new site. That is our number one priority in Europe.

Senator THURMOND. General Patte.

General PATTE. Yes, Senator. Our fiscal 1989 Milcon projects are relatively modest, about $33 million. Of those, I would say that there are two that are of primary importance.

The first one being an intermediate storage facility for war reserves of $17.5 million and the other one which is a prepositioning base also for reserves, to the tune of about $5.2 million.

Insofar as the other categories which are of the CINC's, I think, greatest importance are additional prepositioned stocks in the supplies and equipment category: in the class V area, a significant increase in the level of effort munitions, which would cost about $620 million; and increases in the petroleum stored overseas as well.

Those would be the top three as far as we are concerned.

Senator THURMOND. Admiral Webster.

Admiral WEBSTER. Yes, sir. Senator Thurmond, the top military construction priorities in the Pacific Command follow closely with Admiral Hays' war-fighting priorities, top priorities of air defense and ASW. Our military construction priority is the Relocatable, Over The Horizon Radar (ROTHR) which is one of three ROTHR sites programmed for Tinian and Guam. The fiscal year 1989 project will require about $27 million.

Another high priority project is the addition to the power plant at Subic Bay. This is a $27 million project which will provide reliable power to the Subic Bay complex.

A third priority project also is in the Philippines. This project will provide 260 units of family housing on Clark Air Base for those people who are now living off base in the town of Angeles.

Right now those are our top three military construction projects in the Pacific.

Senator THURMOND. General Stackpole.

General STACKPOLE. Yes, sir. Because of the nature of the maritime command that CINCLANT is, our military construction requirements are modest. But Admiral Baggett's greatest emphasis——

Senator THURMOND. Speak into your mike a little closer.

General STACKPOLE. Yes, sir.

Admiral Baggett's major concern, sir, is for housing in the Azores and in Iceland. Presently under construction we have 250 sets of quarters in Iceland, and 331 sets are programmed. We are also programmed for 330 lease units in the Azores.

[Additional information follows:]

In addition, priority MILCON projects in the 1989 budget are POL storage and an F-15 parts warehouse in Iceland and a naval support facility on Antigua.

Other than MILCON, our priorities are force readiness, primarily in retention of our quality, experienced people. This can be best supported by the 4.3 percent pay raise to partially close the 11 percent pay differential. Sustainability funding must be protected, and ASW improvements must be adequately funded to keep our qualitative edge there from slipping away.

Senator THURMOND. Now, if you wish to modify or supplement the record, because this is an important question, feel free to do that, any of you.

General RICHARDS. I might add one thing. You were correct, Senator Thurmond, the British, the U.K. is the only country to not yet approve the AH-64 beddown. But I can say that we are optimistic that they will and have high confidence that it will be funded.

Senator THURMOND. We are glad to have you gentlemen here and want to commend you for your dedicated service.

Thank you, Mr. Chairman.

Senator DIXON. Thank you, Senator Thurmond.

If I may, I want to just go over this whole thing a little bit in a generic way with each of you before we get into some specific questions. And Senator McCain and Senator Thurmond to some extent have already touched upon this.

However, as we all know, DOD had to go back and reduce its fiscal year 1989 budget by $33 billion or 10 percent. I would like to ask each of you three questions in connection with that, and I think I will start with General Stackpole since we have been working down from General Richards. We will go backwards for a time if you do not mind, General.

CINC'S ROLE IN BUDGET CUTTING

First of all, what role did the CINC's play in this budget-cutting exercise?

General STACKPOLE. In the case of Admiral Baggett, of course, we had input by taking a look at the service scrubs and by submitting our integrated priority list. He was able to list what was most important to him. But then we had to take a look at service decrements and see how we would have to balance our war-fighting needs compared with the balance that each service was trying to achieve.

And balance is, like beauty, in the eye of the beholder. I recognize that you deal with that daily, sir.

And so he did have input to it in that sense.

Senator DIXON. So he did have input?

General STACKPOLE. Yes, indeed.

Senator DIXON. Admiral Webster.

Admiral WEBSTER. Yes, sir. As a matter of fact, when it became apparent that we were going to have a $33 billion budget cut, the Secretary of Defense summoned all the CINCs back. Admiral Hays came back to Washington for the Defense Resources Board meeting.

This was in December and all the CINCs had first-hand knowledge and active participation in the balanced approach to the Defense Department's revised budget.

Senator DIXON. General Patte.

General PATTE. Yes, sir, Mr. Chairman. In CENTCOM we had roughly the same kind of interplay between the services and the unified commander. We kept a very close ear on what all the services were cutting, and I can give you three examples where we were successful in getting restored some of our pet projects for Southwest Asia, one of which is water production, which of course is very important for the war-fighting capability in the area, where there is no, or not much, potable water available.

That was restored to our satisfaction after an initial cut, as was a portion of the logistic-over-the-shore program, which involves the lighterage to discharge the large ships and transport them inland for the unimproved ports which exist on the coast of the Arabian Gulf.

And finally, there was a good restoration of a previous funding in the reserve equipment, equipment for the Reserve combat service support units, which had been deleted. It was successfully reversed after we got into it.

And so yes, General Crist was able to get into the nitty-gritty of the service cuts.

Senator DIXON. General Richards, any further comments?

General RICHARDS. Yes. General Galvin was a full player in the decision and certainly played through the service POMs with his integrated priority list and then, through his personal meetings at the Defense Resources Board, and then finally as he appealed some cuts directly to the Secretary of Defense and to the Chairman.

And I can tell you that in Europe we had almost 100 percent of the proposed cuts that would affect us restored. So we were definitely a player.

Senator DIXON. Very good.

Now, of course we all understand that there are cuts in this budget that we do not care for. That is kind of a universally held opinion. But I would like for the record to ask each of you, and I will go back now to you, General Richards.

Did you have certain programs or areas of the budget that you felt should not be cut that were cut, and what were they?

General RICHARDS. Well, certainly in 1988 we took a big hit on O&M in the U.S. Air Force, Europe. We had a $100 million cut in O&M, which is certainly going to slow OPTEMPO in that organization. As a matter of fact, the forecast of the commander is that he is going to run out of money and ideas probably in September.

Senator DIXON. 1989 now is what I want to talk about.

General RICHARDS. In 1989, certainly we are bearing our fair share. But as I indicated earlier, we have been very successful in the U.S. European Command in getting service support, in spite of the cuts, for our programs.

Senator DIXON. I am going to go back in a minute to a $45 million medical item you discussed. But I wanted specificity. If there was something you particularly felt was cut that should not have been cut, I would like for you to mention it now so we know what it is.

General RICHARDS. Well, certainly the Pronto Project is one we need to continue to fund, and that is—as I said earlier, that is our highest priority and we need to keep that in the budget. It is very, very important to us.

Senator DIXON. General Patte.

General PATTE. Mr. Chairman, I would venture to say that probably the WRSK Kits for the Air Force would be the one project that we would have been much happier not to see cut, because it does affect sortie rates in the out years, I might say, because for the next couple of years we are fully capable, our Air Force is, to do the sorties that are required.

So it is a future effect, if you will. The production lead time leads us to a degradation, we forecast, in the 1991 time period unless we do some very quick catching up in the next year.

Senator DIXON. So your reference is more to the out years?

General PATTE. It is indeed.

Senator DIXON. Admiral Webster.

Admiral **Webster**. The cuts that DOD made were balanced in the whole as we have discussed earlier. CINCPAC concurs with the balanced budget as submitted.

Senator **Dixon**. General Stackpole.

General **Stackpole**. Yes, sir. In Admiral Baggett's case, of course, we have the same concern pertaining to WRSK and BLSS in support of aircraft spares.

But a specific item that is of concern to us is the high frequency anti-jam communications that was canceled and that was a very definite loss as far as the Atlantic Command is concerned. Another major concern is joint communications.

Senator **Dixon**. How much is the shortfall?

General **Stackpole**. Well, funding in the MILSTAR program was cut, as you know, sir. That is one problem area, and SINCGARS is a stretched-out program. And JTIDS, the joint tactical information distribution system, another anti-jam communication system, has also been stretched out.

Senator **Dixon**. Would you say, General, you were pretty successful, though, in protecting your highest priorities? Did I get that impression?

General **Stackpole**. Yes, sir.

General **Richards**. Yes, sir.

General **Patte**. Yes, sir.

Admiral **Webster**. Yes, sir.

MEDICAL READINESS AND SUSTAINABILITY

Senator **Dixon**. General Richards, on page 23 of your statement you seem to be asking us to add $45 million to the budget for medical readiness and sustainability. You say: "What is really required is a relatively modest additional investment of $45 million to achieve a 30 day proximate in-theater capability."

What would this additional $45 million buy, and why is it that you particularly mention this particular item? Would you want to elaborate on that for me? Is this a high priority item in your view?

General **Richards**. I would be very happy to and give you the significance of why it is so important to us. The theater goal is to have the capability of taking care of wounded in theater up to 30 days. Those that require medical care beyond 30 days would be sent back to the States.

Our current capability is only days. By increasing our capability to keep people in theater with minor wounds and return them to duty, if we can get out to the 30 day point we can return up to two divisions, two divisions of forces, back to combat.

That is significant, and it means two things to us. It means we do not have to carry wounded back to the States and it means we do not have to carry fresh troops, unseasoned combat people, into the theater. So it is a significant capability that we need.

Right now, as I said, days is all we can do. Anybody who requires more than days of medical care must come back to the United States, because we do not have the beds, the medical facilities, to take care of them in theatre.

Senator **Dixon**. You are saying to the subcommittee, then, that you consider it a very high priority item and one that is critical?

General RICHARDS. It certainly is, but we are not saying we need to solve the problem right now. We need to chip away at it.

Senator DIXON. What does the money buy?

General RICHARDS. It buys deployable medical units, and hospital beds. Most of the hospital beds that we are looking for, we get through host nation support agreements. And we have been quite successful in identifying beds in our allied countries.

Senator DIXON. Do we have the doctors to staff it if we have the facilities?

General RICHARDS. We hope we will as they are deployed into the theater. Right now we do not.

Senator DIXON. Well, that is the question that is being raised here, quite frankly.

General RICHARDS. We need to increase the number of medical people to staff those units in the Reserves as we get the money to fund those.

Senator DIXON. Well, I wonder if you would accommodate me in this regard, General. Of course, I have to make a report to the full committee on this and I want to take into account these kinds of things that some of you highlight as your critical needs.

And I might have a problem with one of them, but this one I do not have a problem with. I want to be able to say to the distinguished chairman of this committee and others that I see the relevancy and the importance of it. And here I think we had better marry the whole thing together.

My staff indicates they have a problem about whether, if we gave you the beds, you have the doctors. And so I wonder if you would work with your folks and get back to me at your earliest convenience some kind of supportive document that would show me the whole picture.

General RICHARDS. I would be very happy to do that.

Senator DIXON. And frankly, our bogey is going to be such that I do not know how much I can accommodate you. But I would like to look at it.

General RICHARDS. Thank you.

Senator DIXON. May I say this to all of you, and maybe it is an unfair conclusion, but the conclusion I think we get from all of your statements is that in making the budget cuts in the amended fiscal year 1989 budget, the amended budget, the military services frankly made a conscious decision to protect near-term readiness at the expense of sustainability.

You know, for example, funding for operating tempo, flying hours, steaming days, training exercises has been preserved, while funding for depot maintenance, spare parts and ammunition has been cut back.

Is it a fair generic conclusion to say that readiness has been protected, but we are in some trouble on sustainability in this fiscal year 1989 amended budget?

General STACKPOLE. From the Atlantic point of view, yes sir, you are absolutely correct. We still have the funded delivery periods and the pipeline is still flowing. So the effort was made to balance for that reason.

Admiral WEBSTER. The same is true for the Pacific. Of course, the one exception is in the modern threat munitions. We are budgeting funds to improve our days of supply in this particular category.

General PATTE. Mr. Chairman, I agree completely with your assessment.

General RICHARDS. And I agree. I think we and the services pretty well stuck with our priorities and we took the money out of those priorities lower than readiness, to include modernization in some cases.

Senator DIXON. Admiral Webster, I am not picking on you when I ask this question. In all candor, I do not support the home porting concept with any degree of warmth, so it is not fair for me to indicate to you I represent the consensus of the Congress.

I have been rolled twice on it, and it does not hurt so much any more. But I have to tell you that I continue to have an impression that we are protecting this home porting at the expense of other things.

You know, it really bothers me that we cut 16 frigates, for example, keep home porting at the level we originally contemplated for a 600-ship Navy, contemplating expanding it, talked about Alaska and other things. And I just have to say to you, in a time of diminishing expectations, where the outlook is not great, that it bothers me that there is this kind of an investment in home porting.

And I do not want you to feel that I am trying to put you in a corner on this, but what do you have to say about that?

Admiral WEBSTER. Well, Mr. Chairman, I support the strategic home porting policy.

Senator DIXON. I understand that.

Admiral WEBSTER. And of course, Admiral Hays does also. The purpose of the strategic home porting program is to reduce the congestion of those ships which are located in San Diego by dispersing them to the Bay Area and to Everett, Washington.

As a matter of fact, our fifth priority in MILCON this year is to continue the strategic home porting improvements in Everett, Washington.

This whole home porting strategy is for strategic dispersal, and it avoids concentrating ships in one particular area. Also, it will provide input into the economies of the various communities where the crews and their families are going to be living.

Senator DIXON. Well, I hope when we finish with home porting we still have some ships and men to put there. I am not as warm as you are for this idea, Admiral.

Admiral WEBSTER. Mr. Chairman, I think we went through this last year, did we not?

Senator DIXON. Yes, we go through it every year.

MILCON FUNDING FOR CLARK AIR BASE

Let me ask you this: Military construction funding for aircraft shelters for Clark Air Base, why is this program necessary right now?

Admiral WEBSTER. I had better address this in closed session, Mr. Chairman.

Senator DIXON. Okay. Thank you for telling me that.

The housing, you can talk about that, can you not?

Admiral **Webster**. Housing is absolutely essential.

Senator **Dixon**. Is that a security matter or is it just a matter of quality of life?

Admiral **Webster**. Well, it is primarily a quality of life issue, Mr. Chairman. Many of those families living out in town do not have reliable electricity nor good quality water. It is best to provide them housing on Clark Air Base so that we can provide them with those quality of life necessities.

Security is also an aspect of course. When we put them on a military base, we will be able to provide them with better security.

But you must also remember that security out in the areas in Angeles City has been improved. We have increased the U.S. participation off base patrols. We have armed our military police and our air police contingents who patrol with the constable police of the Philippines.

We have done a lot to improve the security. But the point is that it is best to bring these families onto Clark Air Base so they can get the quality of life necessities that they deserve.

PROJECT PRONTO

Senator **Dixon**. General Richards, I have a whole series of questions on Project Pronto. And of course, you know the track record around here with respect to that project. I am not going to ask you all the questions relating to it, but I am going to ask staff to send you all of these questions on page 12 of our question sheet concerning Project Pronto.

As you know, we have gone through this a couple of times in the past. Frankly, how do I characterize this? The Congress does not set the high priority on it that you folks continue to set.

And I wish we could find some kind of a reasonable accommodation to lay this at rest. Now, there are a variety of different things that have been suggested to me, and I am going to share some of them with staff. Maybe they could talk to some of your folks.

But I tell you frankly, with all of the obligations we are going to have and the cuts we are going to have to impose on other things, that even at the lower rate that you are suggesting, the concept probably does not have the support you need.

And I think we have to find some way to find an accommodation for you folks that will accommodate the Congress, or you are going to end up with an unsatisfactory result and we are going to have to revisit all again next year.

Maybe we could find something that you could live with and we could live with.

General **Richards**. We will be happy to do that and we will be happy to respond to any of your questions. I can tell you that we recognize the problems that you are having and the Congress is having with that, and we are back to the drawing board.

Admiral Busey and his staff are looking at some possible alternatives, certainly not optimum and not what we would like to have. But we recognize that and so we are looking at some other things.

Senator **Dixon**. In the hope that we can save time, let me say this. I think the original number was 480. I think it started at 480 and got cut to 270.

I have to tell you, I do not see any possibility for that kind of a number. If you would, as I suggest, if your aides would talk to my folks here, Bob and Dave, maybe we could find some area of understanding, where at least you would be in the game.

General RICHARDS. We are down to $92 million over 5 years now with $22 million in fiscal year 1989.

Senator DIXON. Well, anyway, I do not want to belabor this at the expense of all the witnesses in the room. But why do we not try to see if we can seek some kind of accommodation that everybody can live with.

You know, I have been through this a couple of times and I just do not see it as a possibility at that number. And maybe there is a number or an accommodation that would help us all to achieve some kind of a long term development of a program there.

CLOSING U.S. BASES IN EUROPE

I think we all assume that the Senate will ratify the INF Treaty. General Richards, with the withdrawal of our Pershing II's and ground-launched cruise missiles from Europe, is there a possibility we could close down any U.S. bases in Europe?

General RICHARDS. Our components have identified uses for those facilities that will be vacated, both the P–II and the GLCM sites. Of course, any use of those facilities would be subject to NATO approval, since they own the sites. We would have to negotiate with them, if they had other uses, on how they would pay for the facilities that the United States built.

But we have identified uses for them. As you will recall, when we started bringing the new modern systems into Europe, like the P–II and the GLCM, we took about 30,000 people out of Europe to make room within the European troop strength ceiling.

And those were significant conventional forces that we took out. We took out Army battalions, we took out Air Force units, the OV–10, and we took out some fighter units to make head room.

We would like to put those back in. We would like to keep it a zero sum game and live within the European troop strength that has been established, because as we try to beef up our conventional forces we are going to need those things back that we took out.

Senator DIXON. Well, now with the deactivation of two Air Force tactical fighter wings in fiscal year 1989—as you know, one of them will be the 401st Tactical Fighter Wing, currently stationed in Spain. I do not know if this would be classified or not.

EUROPEAN REPLACEMENT BASE FOR AIR WING

What progress are we making finding another European base for this wing? Are you able to say that?

General RICHARDS. Yes, I am. That is not classified. It has been in the papers and I think it is well known in Europe that NATO is trying to accommodate the beddown of the 401st.

I am not confident, but I am optimistic that they are going to come up with the funds required to beddown the 401st.

Senator DIXON. You have just answered my question. You are saying NATO will come up with the funds?

General RICHARDS. Absolutely, and that has been our condition to them, recognizing the will of Congress that we not spend any more money on the beddown of the 401st.

Senator DIXON. You might have made my morning.

General RICHARDS. And I can tell you that they are close to a decision. General Galvin has that high on his priority list, to get a decision from the allies by this summer. And I am talking by August at the latest. We have to have it by that date so that we can get the funding and start to do site surveys and then get construction started if we are going to do it.

Senator DIXON. Well, I am delighted to hear that. I think I have a couple more questions before we go into classified. Let me look through here.

AIR FORCE SHORTAGE OF WAR RESERVE SPARES KITS

There was a chart I wanted to discuss, but let me first talk about this. General Richards, on page 19 you say this: "Significant shortages on the Air Force war reserve spares kits severely impact our ability to sustain air combat."

Are you aware that the Air Force budgets for 1988 and fiscal year 1989 have not included any funds for these war reserve stocks?

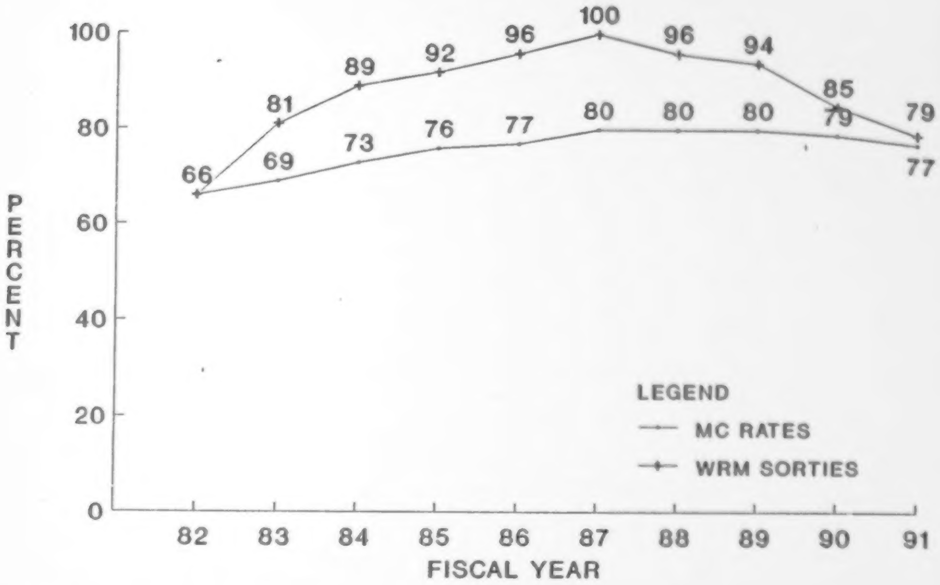
General RICHARDS. Yes, I am.

Senator DIXON. In other words, the Air Force will not buy any war reserve aircraft spare parts this year or next year. Does that concern you?

General RICHARDS. It does, it certainly does, and I think it does the other CINCs.

Senator DIXON. Let us put up a chart. I want to show you a chart that we received last week from Lieutenant General McDonald, Deputy Chief of Staff for Logistics and Engineering of the Air Force.

AF READINESS VS SUSTAINABILITY
AMENDED FY88/89 PB



This chart projects the percent of war reserve materiel sorties on the upper line, mission capable rates on the lower line for the Air Force tactical air forces.

In fiscal year 1987, the Air Force had enough war reserve materiel spares to support 100 percent of its projected wartime sorties, and that figure will be 79 percent by 1991. Mission capable rates for Air Force tactical aircraft are expected to begin dropping.

Is this chart consistent, General Richards, with the experience of our command?

General RICHARDS. I cannot comment on these numbers because this is the first time I have seen them. But the trend I can comment on, and it is consistent with our concern, and that is why I highlighted that concern in my testimony.

We are very concerned about that.

Senator DIXON. Gentlemen, in view of the fact that we are going to have a rollcall at 11:30 and it seems that there is no point in inconveniencing you by the chairman leaving and then returning and making you wait around, I believe we will go to a classified session.

If my staff will be kind enough to clear the room, and then we will be able to conclude in time for all of us to leave the hearing room prior to the 11:30 hour when we are going to vote on the Senate floor.

[Pause.]

LOW LEVEL OF READINESS

I am going to ask one more question for the record, if anybody is interested in hearing it before we clear the room. Gentlemen, several of your statements express concern about the low level of readiness of the ground combat support, combat service support units assigned to your commands.

This subcommittee will be holding a joint hearing with the Manpower and Personnel Subcommittee on this issue in a few weeks. Can you tell us this morning for the record how serious you view this problem in your command, and would you classify it as a war-stopper?

General RICHARDS. Well, I guess I can comment on that first. Looking back on General Rogers' testimony before the various committees here in Washington when he was SACEUR/CINCEUR, he made combat support/combat service support his number one priority.

And General Galvin has certainly not backed away from that. We still view the lack of readiness of those forces and the unavailability of those forces as a serious problem. But we have taken a much broader look, and by itself it is not a war-stopper because, as I said, we take a balanced look at everything that we need to sustain combat in Europe, and that includes many things beyond CS/CSS, to include POMCUS and certainly airlift and sealift, the prepositioned and other materials and certainly ammunition.

And so we take a more balanced approach, so I would not say it is our top priority. It is a very important priority to us, but we must address all of those shortfalls in a balanced way.

SUPPORT UNITS UNDERMANNED

Senator DIXON. Now, I quote you as saying, General Richards, as saying: "The support units in theater are undermanned and would require thousands of additional troops on the day mobilization begins to meet necessary manning levels."

That is your statement. And so I ask you, under current plans where will these thousands of additional troops you say that you need in Europe on the day mobilization begins come from?

General RICHARDS. They are going to have to come from the States.

Senator DIXON. Do we have the adequate type of support facilities to get that job done?

General RICHARDS. We are talking more about people and not so much facilities. We are talking about people and equipment that would have to be forward deployed, some of the equipment will be there.

We have adequate combat support/combat service support to do our peacetime mission. We do not have adequate numbers to do our wartime mission. Those would have to be one of our top priorities as we move forces forward.

Senator DIXON. Airlift essentially?

General RICHARDS. Airlift and sealift, of course.

Senator DIXON. General Patte.

General PATTE. Yes. I would like to perhaps categorize it by mission or function. As far as the CSS problem is involved, as I men-

tioned in my opening statement, 56 percent of these units are in the Reserve forces, which is where we have most of our problem in the manning, the personnel status.

In that respect, training as opposed to strength shortages is the overall problem, the qualifications of the individuals, although I must say we have significant strength in some of the units.

Medical, for example, is one of our more critical shortage positions. The Reserve component units and the hospitals are not ready for combat because of equipment shortfalls as of today. And that is of great concern to us because it does the same thing in our theater as it does in European Command. It decreases the number of days for the medical evacuation policy within this theater.

And two-thirds of the hospital units tasked to support CENTCOM are Army Reserve units, as opposed to active. So the medical field is one of the larger personnel issues that we have.

As far as the other requirements shortfalls in personnel, we have chemical support units, maintenance, transportation, and quartermaster, which are the big four, where we are hurting for readiness from the standpoint of personnel.

As I mentioned to you in my opening statement, sir, the equipment picture has gotten much better in the last year, and we do foresee some continued improvement. As far as the Navy, they are in a better situation because most of their support, as you well know, is aboard the ship.

The Air Force is reporting a slightly better situation than the Army, but the Army is where we have most of our problems.

Senator **DIXON**. Admiral.

Admiral **WEBSTER**. Yes, sir, Mr. Chairman. I believe that the Eighth Army in Korea is probably our lowest as far as combat support/combat service support is concerned. These are basically because of personnel manning.

This is a slight improvement over the last year, however.

The Marine Corps has a similar problem with their support groups personnel.

General **STACKPOLE**. Sir, we echo the same situation as General Patte has discussed. Although our Army Atlantic forces are light in number, we are mostly dependent on National Guard and Reserves.

And as you will see in closed session, we are in tough shape. It is not a war-stopper, but it is a major concern.

Senator **DIXON**. Would you clear the room now and let us do a little bit here on the classified part that I would like to get on the record, and we will send you gentlemen off for lunch.

[Whereupon, the subcommittee proceeded in classified session.]

CLASSIFIED SESSION

The subcommittee met in classified session, Senator Alan J. Dixon presiding.

Present: Senators Dixon, Thurmond, and McCain.

Staff present: Robert E. Bayer, George K. Johnson, Jr., Ronald P. Kelly, David S. Lyles, professional staff members; Mary J. Kampo, staff assistant.

Also present: Charles C. Smith, assistant to Senator Dixon; Robert K. Griffith, assistant to Senator Wirth; and Anthony H. Cordesman, assistant to Senator McCain.

READINESS AND SUSTAINABILITY

Senator DIXON. Gentlemen, would each of you please give us a summary of the current readiness and sustainability ratings for the forces under your command? What is your best estimate of how the amended 1989 budget will affect those readiness and sustainability ratings?

Are you all able to do that, and would you like to start, General Stackpole?

General STACKPOLE. Yes, and I would like to use my slides.

Senator DIXON. Please do.

General STACKPOLE. Sir, our first set of slides will show CINCLANT's Army apportioned force status. These slides are organized according to combat/combat support, and combat service support forces. They depict the trends for the active, National Guard, and Reserve forces apportioned to USCINCLANT.

[Viewgraph deleted.]

Starting at the top of this slide, the C–1 through C–3 trend for the active Army combat forces [deleted]. This is indicated by the green line showing second quarter fiscal year 1987 through second quarter fiscal year 1988 status. These are the forces that in the most demanding scenario would come to us, [deleted].

Moving to the center of the slide, the National Guard combat forces, C–1 through C–3 trend [deleted]. This trend is illustrated by the brown line.

The National Guard's force preparedness is overall satisfactory to accomplish the mission. One of those [deleted] National Guard combat units that work with us [deleted].

Turning to the bottom of the slide, although the Reserve combat forces C–1 through C–3 trend shows [deleted]. This Reserve unit is reporting [deleted] of its combat forces C–1 through C–3 and is represented by the purple line.

[Deleted.]

[Viewgraph deleted.]

Our next slide shows USCINCLANT's apportioned Army C–1 through C–3 combat support trends for the active, National Guard, and Reserve forces. Active Army forces on this slide indicate [deleted] as shown by the green line.

But both National Guard and Reserve combat support forces indicate [deleted] as represented by the brown and purple lines respectively. Again, [deleted] for both National Guard and Reserve force preparedness status.

And I want to say again that our forces are [deleted] so that there is no distortion vis-a-vis the other unified commands.

[Viewgraph deleted.]

The last Army Atlantic slide shows the C–1 through C–3 combat service support forces trends. At the top of this slide, the active Army forces [deleted], as shown in green, from the first quarter fiscal year 1988 [deleted] in the second quarter of fiscal year 1988.

The reason for [deleted].

The forecasted readiness state for this unit indicates [deleted].

The National Guard in brown and the Reserve's in purple are reporting [deleted] C–1 through C–3 respectively. Again, [deleted] are the reasons for the National Guard and Reserve forces' reporting status.

We are concerned about this Reserve combat, Reserve and National Guard combat support and combat service support status, and the major [deleted]. We have been told USCINCLANT's Army component commander, in this case FORSCOM, is closely monitoring this situation and has taken action to rectify the situation.

However, we do not expect any immediate fixes or great improvements, sir, in the near future. Since these Army units are at a degraded state of preparedness any further funding cuts would be a major concern.

[Viewgraph deleted.]

Our next slide shows CINCLANT fleet trends. For fleet reporting, categories level C–1 and C–2 are combined and represented by the green line. C–3 status is shown in brown and C–4 status is displayed by the purple line.

The first fleet slide shows the overall surface ship status. Combined C–1 and C–2 status as indicated by the green line has [deleted] during the second quarter of fiscal year 1987 to [deleted] at the end of February 1988.

C–3 status, represented by the brown line, is showing a slight rise, and the C–4 status generally remains steady. That is the result of [deleted].

[Viewgraph deleted.]

The overall submarine status on my next slide, our combined C–1 and C–2 has averaged [deleted] as exhibited by the green line. C–3 status had an increase, as represented by the brown line, for fourth quarter fiscal year 1987 and first quarter fiscal year 1988, but has [deleted] for the end of February 1988.

As of the end of February, there were [deleted] submarines for the first and second quarters of fiscal year 1988. [Deleted.]

[Viewgraph deleted.]

Turning to Naval Air Force Atlantic, the C–1 and C–2 status of overall aircraft squadrons on this slide has ranged from [deleted] and that is indicated by the green line. C–3 status had a slight rise [deleted] and C–4 is generally steady.

[Deleted.]

[Viewgraph deleted.]

And our final slide shows Air Force Atlantic's force readiness category levels. AFLANT forces are [deleted].

C–1 status [deleted] and is represented by the green line. During the first quarter fiscal year 1988, C–1 status [deleted] but rose during the second quarter fiscal year 1988. The brown line shows the C–2 status which averages [deleted].

The rise in the first quarter fiscal year 1988 of C–2 forces corresponds with the noted decrease in C–1 forces.

CINCAFLANT's SITREP to us noted funding reductions in 1988 and 1989 budget will affect combat readiness and capability and will erode progress made in recent years.

With that, sir, I would like to turn to sustainability, in completing the answer to your question.

[Viewgraph deleted.]

We will start with threat munitions sustainability. This chart shows sustainability percentages as an aggregate for the Atlantic Command and by each of our four components.

The OPLAN requirement is for a [deleted]. The information shows continued growth improvements, but as you see, at a slower rate, for LANTFLT and AFLANT, with funding reductions in fiscal year 1988 and 1989. The Air Force Atlantic drop in requirements for fiscal year 1988 and 1989 reflects a change from the F-4 to the F-16 and a phaseout of the AIM-7 Echo missiles.

Just for the record, the information developed in these slides was given by our components based on assets in bins, in the pipeline, on contract and funded in the budget. The LANTCOM percentage is a weighted average that we show here, with LANTFLT, which is active for us all the time, 80 percent; AFLANT 15 percent; Army Atlantic 5 percent.

The percentage reductions in sustainability are baseline against the President's budget submittal in January of 1987.

Turning now to the level of effort munitions sustainability.

[Viewgraph deleted.]

This chart shows the sustainability percentages as an aggregate for the Atlantic Command and again by each of our three components. Our OPLAN requirement in this case, sir, was [deleted]. Sonobuoys, however, have a [deleted] requirement because it is [deleted].

The information shows improved growth from fiscal year 1981, with a leveling off in fiscal year 1987 and 1988 and a projected decline in fiscal year 1989 as a result of funding reductions.

[Deleted.]

Moving quickly, sir, I would like to go to spares sustainability.

[Viewgraph deleted.]

This chart shows the sustainability by percentages, again as an aggregate for the Atlantic Command and each of our three components. OPLAN requirement is for [deleted]. At most demanding scenario and designated sortie rates, the information shows an improved growth from fiscal year 1981 and it topped out in fiscal year 1987 and it is now on the decline in fiscal year 1988 and 1989 as a result of funding reductions.

[Deleted.] As you know and mentioned earlier in this testimony, Air Force peacetime operating stocks for fiscal year 1989 are not fully funded, for the first time since fiscal year 1983, and the WRSK for fiscal year 1988 and 1989, as we mentioned, are not funded.

Senator **Dixon**. I think I am going to have a time problem, gentlemen, that would require us either to conclude or for everybody to wait until afternoon for me to get back.

I am wondering if all of you could summarize very quickly for the record in an overall way so I can get it into the record. I hate to have you fellows all wait for 45 minutes after we go through the quorum call and the cloture vote.

Admiral.

Admiral **Webster**. Yes, sir, Mr. Chairman. The readiness of all of our components is basically stable. During 1987, we have had some slight decreases in ratings, but this is basically due to transition from one weapon system to another, or to a unit going from one particular category to another.

As far as sustainability is concerned, we have some differences in our sustainability from last year to this year; basically, because of increasing requirements and the fact that we have done a study in threat munitions, which reallocated the threat from PACAF to PACFLT. Therefore, there is a decrease in PACFLT's sustainability in munitions and an increase in PACAF.

Senator Dixon. Do you have some charts, like General Stackpole?

Admiral Webster. Yes.

Senator Dixon. May we reproduce those in the record for the benefit of the subcommittee?

Admiral Webster. I can provide them for the record, yes, sir.

[The material referred to was submitted and is retained in committee files.]

Senator Dixon. All right. David Lyles will deal with you after I leave to get that reproduced in the record if you do not mind.

General Patte.

General Patte. Mr. Chairman, in a quick nutshell, all of our [deleted]. We do have problems, as I mentioned, with [deleted].

So much for the readiness of all of the components. All of the others are adequate and in good shape.

As far as sustainability is concerned, we have today [deleted].

To put it all in one big nutshell, I would say we have [deleted].

Senator Dixon. Thank you, again.

You have some charts, General Patte, that we can reproduce in the record?

General Patte. I do.

[The material referred to follows:]

COMBAT SUPPORT/COMBAT SERVICE SUPPORT READINESS

	PERCENTAGE NOT COMBAT READY					
	EQUIPMENT		PERSONNEL		COMBINED	
UNIT MIX	1986	1987	1986	1987	1986	1987
• COMBAT SUPPORT						
•• 51% ACTIVE COMPONENT	13%	11%	11%	11%	21%	18%
•• 49% RESERVE COMPONENT	37%	17%	35%	31%	49%	39%
• COMBAT SERVICE SUPPORT						
•• 41% ACTIVE COMPONENT	12%	7%	25%	16%	30%	17%
•• 59% RESERVE COMPONENT	32%	20%	31%	29%	47%	42%
• TOTAL CS/CSS						
•• 44% ACTIVE COMPONENT	12%	8%	20%	14%	27%	18%
•• 56% RESERVE COMPONENT	35%	19%	32%	30%	47%	41%

Senator Dixon. General Richards.

General **Richards**. Yes, Mr. Chairman. I can say most of our units in Europe are C–1 and C–2, with the exception of those units that are in the process of transitioning in new weapons systems and are temporarily down to as low as C–5. But that will only be a temporary condition.

We have some great concerns, in addition to the CS/CSS issue that we just talked about earlier in open session, and they center around the lack of overall airlift and intratheater lift that exists in Europe and the decline or erosion of our sealift capability.

I would reference this committee to Senator Denton's report on U.S. flag ships and the declining number that we have, a serious, serious problem for this country, and certainly it affects our ability to reinforce Europe.

A significant sealift problem exists——

Senator **Dixon**. Pardon me, General Richards.

General **Richards**. I coordinated personally with Senator Denton as he prepared that report, and I would call that to your attention.

Senator **Dixon**. I appreciate that. My staff agrees with your comments, may I say.

General **Richards**. Significant problem. It does not matter if we get all the forces in the United States ready if we cannot lift them to Europe to do our job. And it is a chicken and egg, as I said, we really need to make a balanced approach to creating or fixing all these problems.

But all the services, Army, Navy, Air Force, Marine Corps, all have shortages, severe shortages of preferred munitions. We need to work that very hard.

The naval presence in the Mediterranean concerns us, as a result of our presence in the Persian Gulf and those ships that have been diverted. We need to beef our fleet up in the Mediterranean.

We are down to the point now where we cannot do dual carrier exercises because this year we are down to about 1.1 carriers in the Mediterranean. We need to get that back up, and the Navy is certainly aware of that problem.

Senator **Dixon**. And you have some charts, General Richards?

General **Richards**. I do not have charts with me, but we can certainly supply them to the staff.

[The information follows:]

[Chart deleted.]

TEN-IN-TEN CHART

This chart illustrates our initial goal in CENTAG and the primary factors required to achieve that goal. The goal is to meet our commitment to the Alliance to deliver ten divisions to Europe within ten days of a decision to reinforce. That goal is represented here as the pediment of the building, while the supporting columns represent the supporting factors. The green portion of each column highlights the capability we have today in each area. The amber section shows what is gained through programs of the fiscal year 1988–92 POM. The red portion represents unprogrammed shortfall.

I will briefly describe each pillar, but first it's important to understand that these columns are not independent. Any increase in POMCUS, for instance, increases the strategic lift capability, while POMCUS increases are limited by availability of warehouse space. Increases in host nation support to some extent offset shortfalls in CS/CSS. On the other hand, if strategic lift were green and we were able to deliver the 10 divisions in ten days, shortfalls in sustainment would increase. In order to achieve the capacity to bring combat-ready divisions into theater and sustain the battle, each factor must be green to the top.

WHAT THE COLUMNS MEAN—SOME DETAILS

I begin with a general caveat. HQ USAREUR and our USEUCOM staff agree on the data underlying this display, but there are some differences between us on the meaning of those data. Further, the display is achieved at the cost of substantial aggregation of information and therefore hides some very real problems. Although the chart describes largely Army data and Army problems, it is unlikely that all these problems are service unique. And finally, the existence of shortfalls does not imply that efforts are not underway in the Army to solve them. Nonetheless, the chart provides a good general view of our overall capability.

The first two columns represent the extent to which US Army Europe's M+10 Essential Force—the ten divisions and a very austere logistical support structure—are sourced in the 1988 version of Operations Plan 4102. [Deleted.] During the POM cycle, CS/CSS units are to be added to the structure, resulting in the improvement shown.

The third column represents the readiness of our support forces to go to war. The combat formations of the M+10 EF are generally at readiness level [deleted] or better. However, of the [deleted] CS/CSS units which deploy into Europe in the first 30 days, [deleted] are now at levels below C-4 and not combat ready. At an expenditure of just over 2 billion dollars, the 92 POM makes [deleted] of these early units [deleted]. Our goal must be to have all units at C-1; at a level of C-3, the force can accomplish [deleted] of the workload required.

In terms of dollar value of equipment stored, POMCUS is currently about [deleted] filled, and this is programmed to rise to 81% over the POM cycle. These numbers refer to material authorized POMCUS storage. In fact, much equipment which requires storage is not authorized due to space limitations.

Strategic lift is a key pillar. Disregarding unit availability problems, recent calculations show some [deleted] days are required to close the combat portion of the M+10 EF, [deleted]. POM improvements in strategic lift, both air and sea, are expected to improve closure modestly as shown. Effective strategic lift can be gained by further utilization of containerships, increases in NATO and US ocean fleets, and—most importantly—devising ways to make current fleets more responsive and capable of prepositioning.

Host Nation Support is a real success story. We rely upon the economic infrastructure of the European countries for an enormous portion of our support. The green section here represents all Host Nation Support, both direct and indirect, considered reasonably available. The POM was planned to complete this equipping and bring HNS to the top of the column. Changes in the exchange rate and price increases in certain items of equipmemt are the primary reasons for an expected [deleted] shortfall over the POM cycle.

The preferred munitions column shows the status of ten munitions items essential to the warfighting effort, in terms of dollar values. The required is based on the current U.S. Army Concepts Analysis Agency study, "Program 90, Europe (Forward Fielding)"—short title P90E(FF)—for seven of the items. The Missile Item Distribution Plan provides the requirement for the three air defense missiles included: Patriot, Chapparal, and Stinger. We have on-hand [deleted] of the 60-day requirement by dollar value. A buy-out of the fiscal year 1992 POM would bring us to [deleted]. Note that this column is based on a theater requirement, not only the needs of the M+10 EF.

Modernization in the European theater is proceeding rapidly. The requirement in this display is based on fielding [deleted] force modernization systems by 1995. As of now, [deleted] of the systems have been fielded. The POM covers the fielding of [deleted] of the need. The full value of modernization is achievable only through the synergism of the total program. For example, many new systems include computer components dependent on improved communications systems, and tanks, infantry fighting vehicles, and all supporting elements must have matching overland speeds. The systems must therefore be fielded as nearly simultaneously as possible.

In terms of dollar value, [deleted] of the stocks we need in theater are now in place. POM buys will bring us up to about [deleted] still a very large shortfall, which places an additional strain on strategic lift to build stocks and resupply the battle. As was the case with preferred munitions, this column displays a theater [deleted] requirement.

We have on the ground now slightly [deleted] the square meters of warehouse and storage space required for theater stocks, POMCUS, and forward storage sites. Programmed gains, primarily from NATO infrastructure funds, will bring us to [deleted]. Advances beyond that point are currently constrained by availability of real estate.

WHAT THE COLUMNS MEAN—GENERAL (SHORTER) DESCRIPTION

The columns counting flags show that we do have a shortfall in CS/CSS units for the M+10 Essential Force of U.S. Army Europe. [Deleted.]

POMCUS and strategic lift combine to deliver our forces to the battle. Here the impact of TIME is clear: while our current assets are adequate to deliver the M+10 EF in about [deleted] given immediate unit availability, they cannot bring it in within [deleted].

Host Nation Support is nearly at required levels, and modernization is proceeding rapidly. [Deleted.] Limitations in warehousing impact on POMCUS, Prepositioned War Reserve Materiel, and forward storage site fills.

This chart displays sustainment requirements for the full theater for [deleted].

WHAT'S THE POINT OF ALL THAT?

These displays show that CS/CSS shortfalls, as important as they are, are only one part of the complex of requirements that leads to success in Central Europe. What is needed to meet our commitment to our Allies is a steady improvement in all these factors, so balanced that each advance increases our war-fighting capability. It does no good to build one of these pillars up to the requirement while other factors remain constraining. An important challenge is to determine the best program of advance for all the columns, taking into account the linkages and interactions among them.

It is important to realize that meeting the 10-in-10 goal is not enough in itself. This chart ignores the flank battles, where some 60,000 support troops are needed to permit a single division and a separate brigade to fight. It does not include all that is needed to meet the Rapid Reinforcement Plan. But meeting this one commitment will have significant deterrent value—and it must be done before the broader goals can be attained.

COLUMN ONE—CSS UNIT FLAGS

Source: USCINCEUR OPLAN 4102-88 Time-Phased Force and Deployment Data (TPFDD).

Per TPFDD, a total of [deleted] CSS units are required to support the M+10 EF. Of these, [deleted] are shortfall. Some do not exist in the Army structure. Thus [deleted] are sourced, either through U.S. assets or HNS. [Deleted] units are funded in the POM for CS/CSS. A breakout of this set into CS and CSS units is not immediately available; but if all [deleted] were CSS, the improvement would be [deleted].

Caveats:

1. The M+10 Essential Force structure is still changing. As it evolves, the exact numbers of units and personnel in the force will change, as will the extent to which those units are available.

2. The M+10 EF is highly managed in comparison with the remainder of the total theater force. The CSS shortfall is substantially greater for the total force.

COLUMN TWO—CS/COMBAT UNIT FLAGS

Source: USCINCEUR OPLAN 4102-88 TPFDD

Per TPFDD, [deleted] CS and combat units are in the M+10 EF. [Deleted] are sourced, for a [deleted] fill or requirement. We do not know how many of the [deleted] POM units are CS (none are combat). If all were CS, the improvement would be [deleted] of a total of [deleted] fill, but this is unlikely.

Caveats:

1. The M+10 EF is changing and not yet stably defined.

2. The small POM fix area here is based on the assumption that CS units are included in the POM buy. No hard data are immediately available to verify this assumption.

3. The M+10 EF is highly managed, compared with other portions of the total theater force. CS and combat shortfalls are substantially higher for the total force.

COLUMN THREE—CS/CSS UNIT READINESS

Source: IR Issue Update/Theater Impact as of 1 Oct 1987, Issue Number 32, Issue Title "Army Combat-Service Support Mix"

Population represented is high-priority CS/CSS units, deploying in the C+0 to C+30 time: [deleted] units. Units' readiness status in 1st Qtr fiscal year 1987: [deleted] are C-4 or below and not combat ready. Remaining [deleted] are assumed at high C-3. Per AR 220-1, a C-3 unit can perform [deleted] of its mission workload.

Assuming [deleted] units at [deleted] capability and [deleted] at C–4 [deleted] the overall force has the capability to perform [deleted] of the required workload.

The POM brings [deleted] of the [deleted] units to [deleted]. Assuming these [deleted] the force is capable of performing [deleted] of the support workload.

Caveats:

1. The assumption that a C–3 unit can perform [deleted] is optimistic. Current cross-leveling efforts will produce C–3 units at the cost of bringing other high C–3 units to lower levels. On the other hand, some of the [deleted] are at C–2 or C–1, though the numbers should be very low.

2. The assumption that C–4 units have [deleted] capability is in agreement with AR 220–1, but that regulation states that C–4 units can be employed if necessary with whatever residual capacity of the units in question. If some value were assumed, it would increase the current capability segment of the pillar, but would not change the program fix.

3. It must be remembered that this program affects only the early deploying units. The overall theater CS/CSS unit readiness posture is undoubtedly much worse, though we have no data at present to confirm or deny this statement.

COLUMN FOUR—POMCUS

Source: IR Issue Update/Theater Impact as of 1 Oct 1987, Issue Number 36, Issue Title "POMCUS".

According to Aug 1987 Total Army Equipment Distribution Program (TAEDP), the dollar value of POMCUS equipment projected to be in storage in fiscal year 1992 has a dollar value of [deleted]. Per HQ USAREUR, the current fill has a dollar value of [deleted]. Thus, in dollar terms, the fill is [deleted].

Fiscal year 1988–92 programming would increase POMCUS funding to raise the dollar value of equipment on hand to about [deleted], or [deleted] of the total projected TAEDP dollar value by fiscal year 1992.

Caveat:

The data described here refer to material authorized for POMCUS storage. Due to limitations in storage space, not all equipment of units requiring POMCUS storage is authorized such storage. The true requirement (and the size of the shortfall) would be larger.

COLUMN FIVE—STRATEGIC LIFT AVAILABILITY

Sources:

1. Fiscal year 1988–92 Navy POM
2. Fiscal year 1988–92 Air Force POM
3. HQ USAREUR 10-in-10 Working Group analysis.

Per HQ USAREUR analysts running the Strategic Reinforcement of Europe Study (SRES) model, relaxing unit availability constraints but retaining the ocean vessel availability as displayed in the JOPS Assets file, and using all available strategic airlift resources, the M+10 EF can be closed in [deleted] days depending on various run parameters. At the more pessimistic end, deployment time is [deleted] that required to close 10-in-10, hence, current strategic lift capability is assessed at [deleted].

Per the Navy POM, sealift capacity will increase [deleted] over the cycle, from [deleted]. The Air Force POM shows an increase of [deleted] from [deleted]. Since sealift dominates the closure profiles, we assume an overall increase of [deleted] in lift capacity and a direct improvement in the same magnitude in closure. This is equivalent to assuming a straight line deployment curve. This cuts deployment time to [deleted].

Caveats:

1. It is worth noting that, although increased delivery capacity will place more cargo in theater per unit time, it may not accelerate closure at all. (Picture a fleet of 10 ships requiring a total of 20 sailings to close a force, doing so in two waves. Increasing the fleet to 12 ships, a 20% increase, means that only 8 ships need make a second sailing, but closure does not change.)

2. Percentage capacity is described here in terms of time. It does not necessarily follow that [deleted] of the cargo of the M+10 EF which requires movement from CONUS will be in place in 10 days.

3. Closure is defined in this discussion as arrival at the theater port. It does not mean that forces are ready for TOA in 30 days. HQ USAREUR's current interpretation of the 10-in-10 commitment is that it requires arrival in theater rather than readiness for combat.

COLUMN SIX—HOST NATION SUPPORT

Sources:
1. USCINCEUR OPLAN 4102-88 TPFDD
2. ECJ4-HN Background Paper, Host Nation Support (HNS), 8 Oct 1987.
3. Visit 9 Oct 87, HQ USAREUR, DCSRM, LTC N. Patton

Per TPFDD, currently reasonably expected HNS consists of the equivalent of [deleted] U.S. personnel [deleted] in indirect support and [deleted] in direct support—labor service units). Per ref 2, some 93,000 personnel will be in the German model host nation reserve units. About [deleted] will be in support of Army forces. This number corresponds to an additional [deleted] U.S. personnel equivalents above the [deleted] already in Type A direct support. Therefore, the total will be [deleted] persons; this is taken as the requirement. Current support is [deleted] of this. The POM originally was intended to fund the equipping of these units fully. Due to equipment price increases, the impact of devaluation of the US dollar, and better cost data for basic load ammunition and POL requirements, a shortfall of [deleted] in the funding of the required [deleted] program has developed. The program accounts for [deleted] of the total host nation support requirement, and [deleted] of the program is funded, so that the overall improvement is [deleted]. Thus, the POM is now expected to deliver [deleted] of the required capability.

COLUMN SEVEN—PREFERRED MUNITIONS

This column shows the sustainability status of ten key munitions items that will be essential to the warfighting effort. The green area represents the current on hand dollar value of all munitions in theater reserves. The amber area shows the programmed improvements in these items over the funded defense program, i.e., the "POM FIX". The remaining red area represents the shortfall in preferred munitions after fiscal year 1992. The total requirement is based on the current Army's Concepts Analysis Agency study "Program 90—Europe (Forward Fielding), (Short Title P90E(FF)), for seven items, and the Missile Item Distribution Plan for the three air defense missiles shown: Patriot, Chapparal and Stinger. The use of dollar value was done to standardize the pillars.

COLUMN EIGHT—MODERNIZATION

Source: Provided by Mr. John Walsh, HQ USAREUR DCSOPS—Force Management

Through fiscal year 1987, US Army Europe has fielded a total of [deleted] modernization systems. An additional [deleted] systems will come on line with the current POM. The final objective is [deleted] systems. Thus, support through the fiscal year 88-92 POM will bring USAREUR to [deleted] of its modernization goal.

Caveat: This discussion covers only modernization of those forces forward stationed in Europe. It does not reflect the overall modernization of the US Army.

COLUMN NINE—SUSTAINMENT

Sources:
1. CINCUSAREUR//ADAGD-WT//Message 291028Z Jul 87, Subject: Status of USAREUR War Reserves, RCS CSGLD 1724, 3d Qtr fiscal year 1987.
2. Fiscal year 1988-92 Army POM.

Per source 1, the total dollar value of required stocks in TR-1, TR-4, and TR-5 is [deleted]. The total value of on-hand stocks is [deleted] or [deleted].

Per source 2, POM-funded PWRMS has dollar value of [deleted], or an additional [deleted] to a total of [deleted] of the requirement.

The requirement is for [deleted] of supply for all classes except VII, for which the requirement is [deleted]. If it is assumed that the M+10 EF has sole call on the stocks in TR-1, and that consumption in dollars per man-day will be at the rate implied by the current stockage requirement and final theater population per the 4102-88 TPFDD, then the force can survive for some [deleted] days.

Caveats:
1. Shortages in specific equipment items or elements of resupply are hidden by the homogenization in the data forced by using dollars to merge disparate stocks.
2. The origin and meaning of the requirement data is somewhat obscure. It is here interpreted as that stockage required to support the mature theater force for [deleted] of combat, except that Class VII is stocked only to [deleted].

COLUMN TEN—WAREHOUSING

Sources:

1. CINCUSAREUR//ADAGD-WT//Message 281608Z Sep 1987, Subject: NATO Infrastructure Requirements and Status of Fill.
2. VII US Corps and V US Corps Oct 1986 Reports on Forward Storage Sites.

Per source 1: POMCUS on-hand storage; [deleted]; programmed; [deleted]; unprogrammed; [deleted]; total requirement; [deleted].

Per source 1: PWRMS on-hand storage; [deleted]; programmed; [deleted]; unprogrammed; [deleted]; total requirements; [deleted].

Per source 2: FSS on-hand storage; [deleted]; programmed; [deleted]; unprogrammed; [deleted].

In order to combine these data, the following assumptions on FSS are made: density, 0.6 short ton per measurement ton; stacking height, 2 meters; area stowage factor, 88%.

Under these assumptions, one may convert metric tons to square meters by multiplying by 1.3021 sqm/mt. This yields:

FSS on-hand storage; [deleted]; programmed; [deleted]; unprogrammed; [deleted]; total requirement; [deleted].

The totals: on-hand storage; [deleted]; programmed; [deleted]; unprogrammed; [deleted]; total requirement; [deleted].

These are the data shown on the column.

Caveat: Warehouse space is considered programmed when it is entered in the Allied Command Europe Logistics Infrastructure Program (ACELIP).

AIRCRAFT SHELTERS

Senator **Dixon**. Admiral Webster, one other thing here. For the last 2 years the Air Force has requested military construction funding for aircraft shelters for Clark Air Force Base in the Philippines. We talked about that a little earlier. In the classified session here I wanted to ask you—staff indicates to me that they are concerned because no plan to protect the aircraft from terrorists has been developed.

They think they need revetments and things like that. They suggest that these wing-to-wing aircraft invite a terrorist attack that could destroy almost all your capability on the ground.

And I just wonder what your comment would be.

Admiral **Webster**. Well——

Senator **Dixon**. Or do you disagree with that?

Admiral **Webster**. We have considered the fact that we could have terrorist attacks attempted on our aircraft at Clark. The terrorists you are talking about are the NPA. Another major concern is Cam Ranh Bay, where Soviet Bear, Badgers and bombers are stationed, which can launch attacks against our bases in the Philippines. Therefore we need at Clark Air Base shelters or revetments which will allow our aircraft to go into those shelters and refuel, rearm, and get back into the air defense business which they are there for.

Senator **Dixon**. In the interest of time, I am not going to pursue that now, Admiral. But staff thinks there are some problems with respect to all of that. I wonder if there could be a conversation between your folks and my folks about all of that issue so that we have a better understanding of your perception of it, as distinguished from what the perception of staff here might be.

It would be very helpful to us.

Admiral **Webster**. I would be very happy to do so.

[The information follows:]

Admiral **Webster**. [Deleted.]

Senator **Dixon**. Thank you.

There is one other thing that I wanted to go into with you, is the Navy's relocatable over-the-horizon radar program, which we think promises a broad area of ocean surveillance capability. I wonder if you could develop that with us to the extent that we can be fully informed about that as well.

Admiral **Webster**. Yes, sir. That is a program which has the [deleted] because it adds to our ability to provide indications of warning coming in from the northwest and the west not only from Cam Ranh Bay, but also from Vladivostok.

This is the first of three ROTHRs that are going to be located in Guam and Tinian. Tinian is going to have the transmitters, Guam will have the receivers. Each radar provides a 60-degree inter-connecting sector oriented in various directions. They are extremely beneficial and provide early indications of warning to our forces. Therefore, we can provide long range surveillance and alert our aircraft and ships to respond accordingly.

Senator **Dixon**. May I say to you, Admiral and to all of you gentleman, that as a consequence of everything we have heard here we might make some follow-up questions and so forth to help us in our determinations about what we will recommend with respect to this subject matter to our colleagues.

[Questions for the record with answers supplied follow:]

KOREAN COMBINED DEFENSE IMPROVEMENT PROGRAM

Senator **Dixon**. Provide the committee (SASC) a list of the military construction projects being funded in fiscal year 1988 by the Korean Combined Defense Improvement Program and the Japanese Facility Improvement Program, and, if available, the projects programmed for construction in fiscal year 1989 under these host nation programs.

Admiral **Webster**. The 1988 Korean Combined Defense Improvement Program (CDIP) follows. The Japanese Facility Improvement Program project lists are attached. Both the Japanese FIP and the Korean CDIP programs for 1989 are not yet available.

1988 CDIP PROJECT LISTING

[Deleted.]

Record Number	JFY	Pac	Service	Location	Title	Scope	Unit
15	1988	1D	USAF	Misawa	Utilities upgrade	1	LS
80	1988	1B	USAF	Misawa	Family housing PH–7	204	UN
92	1988	1D	USAF	Misawa	Admin bldg (PAX-FGT)	3,941	SM
95	1988	1D	USAF	Misawa	Hard A/C shel PH 1	6	EA
97	1988	1D	USAF	Misawa	Hospital	13,000	SM
109	1988	1D	USAF	Misawa	Hard A/C flowthru 1	2	EA
111	1988	1D	USAF	Misawa	Admin bldg (HQ/MAT)	2,613	SM
113	1988	1B	USAF	Misawa	Child care center	665	SM
115	1988	1D	USAF	Misawa	Dining facility	284	SM
117	1988	1D	USAF	Misawa	Gas station (AC)	1	LS
119	1988	1D	USAF	Misawa	Hard A/C shel PH 2	4	EA
121	1988	1B	USAF	Misawa	School (Elem add)	3,604	SM
123	1988	1B	USAF	Misawa	School (High) Pt II	1,551	SM
124	1988	2D	USAF	Misawa	Hard A/C flowthru 2	2	EA
125	1988	2D	USAF	Misawa	Hard A/C shel PH 3	3	EA
126	1988	2D	USAF	Misawa	Rel fire trng area	44	SM
127	1988	2B	USAF	Misawa	School (North elem)	4,972	SM
144	1988	1D	USAF	Yokota	Utilities upgrade	1	LS
156	1988	1E	USAF	Yokota	Pol storage (R)	15,900	KL

Record Number	JFY	Pac	Service	Location	Title	Scope	Unit
167	1988	1D	USAF	Yokota	Admin bldg (cont)	1,617	SM
171	1988	1B	USAF	Yokota	Family housing (SOQ)	11	UN
173	1988	1B	USAF	Yokota	Family housing 2br	70	UN
175	1988	1B	USAF	Yokota	Family housing 3br	70	UN
177	1988	1D	USAF	Yokota	Sch (east elem add)	1,303	SM
179	1988	1D	USAF	Yokota	Sch (west elem add)	662	SM
181	1988	2B	USAF	Yokota	Family housing 2br	70	UN
182	1988	2B	USAF	Yokota	Family housing 3br	70	UN
183	1988	2B	USAF	Yokota	Warehouse (R)	1,264	SM
206	1988	1B	USAF	Courtney	Family housing (SOQ)	5	UN
208	1988	1B	USAF	Courtney	Family housing (THQ)	4	UN
211	1988	1B	USAF	McTureous	Family housing PH 1	296	UN
266	1988	1D	USAF	Kadena	Noise suppressor	1	LS
271	1988	1B	USAF	Kadena	Road	1	LS
282	1988	1A	USAF	Kadena	Admin bldg (command)	1,261	SM
286	1988	2A	USAF	Kadena	Maint fac (AWACS)	4,851	SM
287	1988	2B	USAF	Kadena	School (middle)	8,281	SM
288	1988	2A	USAF	Kadena	Ramps/Revet (AWACS)	1	LS
291	1988	1B	USAF	Zukeran	Fam Hsg, Kishaba P-1	110	UN
292	1988	1B	USAF	Zukeran	Fam Hsg, Kishaba P-2	68	UN
293	1988	2B	USAF	Zukeran	Family hsg (Sada)	204	UN
302	1988	1B	USAF	MSA	Family housing PH 4	233	UN
303	1988	1B	USAF	Misawa	Family housing	68	UN
304	1988	1D	USAF	Yokota	Utilities upgrade	1	LS
305	1988	1B	USAF	Kadena	Family housing TH	30	UN
306	1988	2E	USAF	Kadena	Storm drainage	1	LS
307	1988	2B	USAF	Zukeran	Family housing SEQ	2	UN
310	1988	1E	Navy	Hachinohe	Pol pipeline	1	LS
317	1988	1D	Navy	Marcus Isl	Admin bldg (R) (UPH)	1,311	SM
356	1988	1E	Navy	Atsugi	Pol related fac (R)	1	LS
358	1988	1D	Navy	Atsugi	Sewage fac (INDWW)	1	LS
360	1988	1D	Navy	Atsugi	Maint hangar (P-3)	5,030	SM
363	1988	1D	Navy	Atsugi	Warehouse #168	3,716	SM
371	1988	1B	Navy	Ikego	Site preparation	1	LS
372	1988	2D	Navy	Azuma	Fire/Env protection	1	LS
393	1988	1D	Navy	Yokosuka	Util upgrade (PT 1)	1	LS
430	1988	1D	Navy	Yokosuka	Warehouse (R) (NSD)	25,600	SM
438	1988	1D	Navy	Yokosuka	Maint shop (boiler)	6,596	SM
451	1988	1D	Navy	Yokosuka	Maint fac (DD4) (R)	1	LS
453	1988	1D	Navy	Yokosuka	Admin fac (NSD/DPSC)	3,579	SM
455	1988	1A	Navy	Yokosuka	Pier	1	LS
457	1988	1D	Navy	Yokosuka	School (high) (R)	8,417	SM
458	1988	1A	Navy	Yokosuka	Second pier (8/7)	1	LS
460	1988	1A	Navy	Yokosuka	Util upgrade (pt 2)	1	LS
461	1988	2D	Navy	Yokosuka	Flt train/admin ctr	7,056	SM
466	1988	1D	Navy	Koshiba	Pol related facility	1	LS
469	1988	1D	Navy	Urago	Fire fighting fac	1	LS
474	1988	1E	Navy	Tsurumi	Fire fighting fac	1	LS
487	1988	2D	Navy	Akasaki	Flt hospital whse	8,580	SM
493	1988	1D	Navy	Sasebo	Utilities upgrade	1	LS
504	1988	1D	Navy	Sasebo	Maint fac (DD2)	1	LS
509	1988	1D	Navy	Sasebo	Spec ser fac (mess)	864	SM
533	1988	1E	Navy	Yokose	Pol fac (Y-6) (R)	60,000	KL
535	1988	1E	Navy	Yokose	Pol fac (Y-7) (R)	60,000	KL
541	1988	1D	Navy	Tategami	Fire protection	1	LS
548	1988	1B	Navy	Hario	Family housing	56	UN
555	1988	1B	Navy	Hario	Guard box	6	SM
561	1988	1D	Navy	Hario	Spec serv fac (rec)	125	SM
586	1988	2B	Navy	Atsugi	Fam housing TH-SOQ	30	UN
587	1988	2B	Navy	Atsugi	Family housing TH	40	UN
588	1988	2B	Navy	Atsugi	Family housing HR	68	UN
589	1988	2B	Navy	Atsugi	Family housing	136	UN
590	1988	2B	Navy	Yokosuka	Family housing SOQ	6	UN
591	1988	2E	Navy	Koshiba	Landslide prevention	1	LS

Record Number	JFY	Pac	Service	Location	Title	Scope	Unit
592	1988	2D	Navy	Akasaki	Maint shop (VEH)	598	SM
593	1988	2D	Navy	Akasaki	Gas station	20	SM
594	1988	2D	Navy	Akasaki	Guard box	3	SM
595	1988	2E	Navy	Harioshima	Fire fighting fac	1	LS
596	1988	2D	Navy	Shields	Warehouse (cont hum)	1,925	SM
597	1988	2D	Navy	Shields	Warehouse (haz/flam)	130	SM
598	1988	2D	Navy	Shields	Warehouse (CESE)	3,716	SM
599	1988	2D	Navy	Shields	Warehouse (R)	2,425	SM
600	1988	1A	Navy	Yokosuka	Dredging	1	LS
603	1988	1D	Army	Yokohama	Bridge (VEH) (R)	1	LS
631	1988	1D	Army	Zama	Utilities upgrade	1	LS
655	1988	1D	Army	Zama	Admin bldg (EDJ)	4,795	SM
657	1988	1D	Army	Zama	Admin bldg (medical)	474	SM
659	1988	1D	Army	Zama	Education facility	1,715	SM
661	1988	1D	Army	Zama	Lodge (VOQ) (MOD)	1,201	SM
663	1988	1D	Army	Zama	Mid sch/gym/cafe (R)	3,455	SM
665	1988	1D	Army	Zama	Uoph (mod) 40 rms	2,940	SM
666	1988	2D	Army	Zama	500th MI admin (R)	3,095	SM
667	1988	2D	Army	Zama	Bank (R)	364	SM
668	1988	2D	Army	Zama	Child dev center (R)	795	SM
669	1988	2D	Army	Zama	Consolidated club	4,200	SM
670	1988	2D	Army	Zama	Fac engr shops	6,032	SM
671	1988	2B	Army	Zama	Family housing 3br	68	UN
672	1988	2D	Army	Zama	Golf crse safety net	244	LM
673	1988	2D	Army	Zama	Kastner AF expansion	13,000	SM
681	1988	1D	Army	Sagami DPT	Utilities upgrade	1	LS
683	1988	1D	Army	Sagami DPT	Fire station (R)	353	SM
685	1988	1D	Army	Sagami DPT	Warehouse (dehum)	1,858	SM
687	1988	1D	Army	Sagami DPT	Warehouse (reconst)	7,432	SM
689	1988	1D	Army	Sagami DPT	Warehouse (refrig)	3,716	SM
690	1988	2D	Army	Zama	Guest house	3,070	SM
691	1988	2A	Army	Sagami	Waste storage fac	1,951	SM
700	1988	1D	Army	Sdha	Storm drainage sys	1	LS
702	1988	1D	Army	Sdha	Fire station (R)	353	SM
704	1988	1D	Army	Sdha	Sewage treatment plt	450	KG
705	1988	2B	Army	Sdha	Family housing 4br	64	UN
709	1988	1D	Army	Akizuki	Road (R)	1	LS
711	1988	2D	Army	Kawakami	Fe office and shops	237	SM
712	1988	2D	Army	Kawakami	Fire station (R)	359	SM
713	1988	2D	Army	Kawakami	Reconstruct roads	32,400	SM
714	1988	2D	Army	Kawakami	Trans maint shop/off	406	SM
725	1988	2D	Army	Army pol	Pol seaberth kin bay	1	LS
726	1988	2D	Army	Army pol	Sub pipeline kin bay	1	EA
728	1988	1D	Army	Torii	Sports fac (gym)	1,590	SM
729	1988	2D	Army	Torii	Vehicle maint fac	3,872	SM
730	1988	2D	Army	Torii	Warehouse (cont hum)	4,481	SM
748	1988	1E	Army	Army pol	Pol line (R)	1	LS
800	1988	1D	MCBJ	Iwakuni	Utilities upgrade	1	LS
835	1988	1D	MCBJ	Iwakuni	Spec serv fac (exc)	7,219	SM
838	1988	1D	MCBJ	Iwakuni	Tel exchange (R)	940	SM
842	1988	1D	MCBJ	Iwakuni	Beq #1 (196 RM)	6,895	SM
844	1988	1D	MCBJ	Iwakuni	Beq #2 (196 RM)	6,895	SM
845	1988	2B	MCBJ	Iwakuni	Family housing (TH)	20	UN
847	1988	1D	MCBJ	Iwakuni	Maint hangar (AC)	850	SM
849	1988	1B	MCBJ	Iwakuni	Warehouse (R)	3,816	SM
850	1988	2D	MCBJ	Iwakuni	Beq (196 RM)	6,895	SM
851	1988	2D	MCBJ	Iwakuni	Medical/dental fac	5,007	SM
902	1988	1E	MCBJ	Hansen	Fire fighting fac	1	LS
906	1988	1D	MCBJ	Hansen	UEPH (190 RM)	7,110	SM
910	1988	1D	MCBJ	Hansen	UOPH (39 RM)	2,550	SM
912	1988	1D	MCBJ	Hansen	Beq (196 RM) # 1	7,110	SM
914	1988	1D	MCBJ	Hansen	Maint fac (vehicle)	1,952	SM
916	1988	1E	MCBJ	Hansen	Tank road trail	1	LS
917	1988	2D	MCBJ	Hansen	BEQ (196 RM) # 2	7,110	SM

Record Number	JFY	Pac	Service	Location	Title	Scope	Unit
918	1988	2D	MCBJ	Hansen	BEQ (196 RM) # 3	7,110	SM
919	1988	2D	MCBJ	Hansen	BEQ (196 RM) # 4	7,110	SM
920	1988	2D	MCBJ	Hansen	Organic unit storage	2,736	SM
950	1988	1D	MCBJ	Courtney	Spec serv fac (lib)	1,441	SM
958	1988	1D	MCBJ	Courtney	Warehouse	4,768	SM
959	1988	2B	MCBJ	Courtney	Child care ctr exp	1,471	SM
961	1988	1B	MCBJ	McTureous	Elm school exp	1,195	SM
964	1988	1D	MCBJ	Kuwae	Youth center	441	SM
965	1988	2B	MCBJ	Kuwae	School (middle)	8,281	SM
982	1988	1D	MCBJ	Zukeran	Spec serv fac (O/M)	2,208	SM
989	1988	1D	MCBJ	Zukeran	UEPH (196 RM) #2	7,110	SM
992	1988	1D	MCBJ	Zukeran	UOPH (59 RM)	3,830	SM
994	1988	1D	MCBJ	Zukeran	Admin bldg (reg HQ)	1,208	SM
996	1988	1D	MCBJ	Zukeran	BEQ #3 (196 RM)	7,110	SM
998	1988	1D	MCBJ	Zukeran	BEQ #4 (2-196 RM)	14,220	SM
1000	1988	1B	MCBJ	Zukeran	Child care center	2,126	SM
1002	1988	1B	MCBJ	Zukeran	Maint fac (comm)	3,370	SM
1004	1988	1B	MCBJ	Zukeran	Trk/FB field Kishaba	1	EA
1006	1988	1D	MCBJ	Zukeran	Warehouse (WES-17)	2,416	SM
1007	1988	2D	MCBJ	Zukeran	BEQ (2-196 RM)	14,220	SM
1008	1988	2D	MCBJ	Zukeran	Library/ed ctr	4,009	SM
1009	1988	2D	MCBJ	Zukeran	Organic unit storage	4,831	SM
1010	1988	2B	MCBJ	Zukeran	School (elem) N Fost	6,810	SM
1030	1988	1D	MCBJ	Futenma	Admin fac (group HQ)	1,918	SM
1031	1988	2D	MCBJ	Futenma	Open stor/prtrol rd	1	LS
1032	1988	2A	MCBJ	Futenma	Auto/com maint fac	800	SM
1033	1988	2A	MCBJ	Futenma	Battery neadquarters	629	SM
1034	1988	2A	MCBJ	Futenma	BEQ (196 RM)	196	RM
1035	1988	2E	MCBJ	Futenma	Corr control hangar	2,825	SM
1036	1988	2E	MCBJ	Futenma	Engine test cells	577	SM
1037	1988	2D	MCBJ	Futenma	Organic unit storage	4,645	SM
1038	1988	2A	MCBJ	Futenma	Warehouse	744	SM
1060	1988	1B	MCBJ	MSA	Clinic (dental)	1,022	SM
1063	1988	1D	MCBJ	MSA	Spec serv fac (Thtr)	1,013	SM
1068	1988	1D	MCBJ	MSA	Education ctr (Chap)	1,830	SM
1069	1988	2B	MCBJ	MSA	School (elem add)	1,895	SM
1070	1988	2D	MCBJ	MSA	Swimming pool	560	SM
1071	1988	2B	MCBJ	MSA	Widen fam hsg roads	1	LS
1072	1988	2E	MCBJ	Iwakuni	Engine test cell	1	LS
1073	1988	2E	MCBJ	Zukeran	Storm drainage	1	LS
1074	1988	2E	MCBJ	Futenma	Storm drainage sys	1	LS
1075	1988	2B	MCBJ	MSA	BEQ (196 RM)	7,110	SM
1076	1988	2B	MCBJ	MSA	BEQ (2-196 RM)	14,220	SM
1077	1988	1E	MCBJ	Iwakuni	Util upgrade env	1	LS

Questions Submitted by Senator Alan Dixon

OVERSEAS MILITARY CONSTRUCTION MEDICAL PROGRAMS

Senator Dixon. General Richards, General Patte and General Stackpole, the amended fiscal year 1989 budget request includes $189 million in overseas military construction for military medical programs. Would each of you address the importance of the specific medical construction programs in your command?

General Stackpole. U.S. Atlantic Command has no (0) money in the amended fiscal year 1989 budget request for military medical construction. The command does have one important Deployable Medical System (DEPMEDS) military construction project in the fiscal year 1988 budget for $7.0 million. This project funds support facilities and site preparation for a forward deployed 500 bed Fleet Hospital. The command is also projecting funding for DEPMEDS' military construction projects in the fiscal year 1990-94 program ($11.8 million for site preparation and support facilities for a 500 bed Fleet Hospital and $12.0 million for a 1,000 bed Fleet

Hospital.) Wartime medical support is a high priority on the CINCs Integrated Priority List.

General RICHARDS. The medical facility projects contained in the fiscal year 1989 military construction request for the European theater amount to $95M. These projects as well as their associated equipment and materiel, are of substantial importance to the U.S. European Command because of the pressing need to continue to improve our overall medical readiness posture. As a result, they are included on USCINCEUR's Integrated Priority List. When completed, some projects will provide facilities for the provision of quality health care and an improved patient care environment while others will provide for the prepositioning of medical equipment and supplies in theater where they will be immediately available for the support of U.S. combat forces in time of war. However, I should note that medical facilities do not compete directly with non-medical facility project requirements at the Unified Command level because medical project planning, programming and budgeting activities are processed separately by the Defense Medical Facilities Office. Nevertheless, procedures established by that office ensure the European Command is involved in the prioritization of those individual construction projects which make up the overall theater medical requirement.

RELOCATING FACILITIES AT NAPLES

Senator DIXON. General Richards, last year, Project Pronto, the relocation of Navy activities from Naples, was your Command's number one priority. As you know, last year's DOD Authorization Act provided partial authorization of the Navy's command and control facility, but questioned the plan to totally relocate the Agnano complex to the new location.

In the meantime, the Continuing Resolution failed to provide a specific appropriation for this project, although the Appropriation Committees stated that they would consider a reprogramming request.

Navy witnesses have testified before the House Appropriations Committee that they were abandoning the plan to totally relocate Naples Activities to Capua. Instead, the command and control and medical missions would relocate to new facilities at the Naples Airport.

Are you familiar with this change of plans? Could you provide the committee a comparison of the operational capabilities of the two relocation sites: Capua and the Naples Airport? Does European Command support this altered plan?

General RICHARDS. I am familiar with option 7 of the most recent study that recommends a partial move of facilities from Agnano to Capodichino Airport as the next best option after the relocation to Capua.

The overall operational capability between the two sites is essentially the same. The operational differences between the two sites are:

(1) Communication: connectivity to Capua would be from a satellite terminal at the site. Connectivity to Capodichino Airport will be microwave connectivity to a satellite terminal at another installation.

(2) Hardening was planned for the C3I facility at Capua; no hardening is planned at Capodichino.

My first choice is to support the move to Capua because it provides a total facility without splitting operations and enhance the quality of life. I understand present fiscal limitations require a more economical relocation plan from the substandard and unsafe working environment at Agnano.

Option 7, partial relocation to Capodichino, accomplishes the move of the most critical function out of Agnano with a cost less than half of the relocation to Capua.

Our objective is to provide a modern C3I facility to improve our command and control and at the same time get our personnel out of the Agnano high rise facilities before someone is killed during a natural disaster or terrorist attack.

We intend to provide community support and high school through lease construction in the Naples area.

GOVERNMENT RENTAL HOUSING PROGRAM

Senator WIRTH. Please provide for the record your assessment and views on the Government Rental Housing Program (GRHP) test recently conducted in Germany. What actions are required by Congress to implement the program throughout USEUCOM? What additional costs, if any, would accrue from implementation of this program? How do you propose to off-set those costs?

What would be the impact on readiness if GRHP were implemented?

General **Richards**. The GRHP test was a real success in alleviating two personnel problems prevalent in the European theater, available adequate soldier housing and young soldier indebtedness.

To help implement GRHP, Congress needs to (1) authorize the services reprogramming authorization from the personnel account (BAQ, OHA, and utility allowance) to the O&M lease account and (2) increase lease authorization for the services.

With reprogramming authorization, I do not anticipate any additional cost involved in implementing the GRHP program.

There are many factors related to force readiness but the biggest one, in my opinion, is troop morale. GRHP can significantly boost morale because it will alleviate some major service member (SM) worries by:

(1) eliminating necessity for SM to pay up to two months rent for real estate agent fees, (2) permitting concurrent travel of SM families or at least reduce time of separation and (3) eliminating the major disruption of relocation moves that more than 50% of the service members are making to government housing.

Questions Submitted by Senator John McCain

IMPACT OF BUDGET REDUCTIONS

Senator **McCain**. Could each of the witnesses provide a statement for the record of the impact of the reductions in the current FYDP since President Reagan's original fiscal year 1988 defense budget request on the readiness, sustainability, and support capabilities of his command at the end of the current FYDP, and of the risks these reductions impose in terms of mission capabilities and meeting our defense commitments?

General **Stackpole**. Force structure, procurement, modernization, sustainability, and some readiness accounts were reduced in the amended fiscal year 1989 budget to preserve overall readiness levels. However, given the negative defense budget growth over the last four years, tradeoffs seem to have been inadequate to fully protect readiness. There are shortfalls and backlogs in many areas and a downward trend in overall readiness levels. We have a particular concern about the ability to retain our trained people.

Declining force levels create challenges in maintaining readiness, satisfying global commitments and accommodating the strategies of global conflict. We already lack forces in sufficient numbers to execute all wartime tasks with acceptable risk. Shortfalls in ordnance and spare parts impact the capability to maintain a proper tempo of battle and sustain it. Slowing modernization and capability improvements will, in many cases, let our qualitative advantages slip away. Aircraft and ship procurement levels are not adequate to maintain a non-aging force structure.

The fiscal year 1990–94 FYDP will not be finalized until this summer. The $20B reduction in fiscal year 1988 and $33B reduction in fiscal year 1989 TOA will be followed by similar cuts in the FYDP. Fiscal year 1988 and fiscal year 1989 budget decisions automatically cause some reductions in outyear spending. Other adjustments are again expected to be accomplished in as balanced a manner as possible given outlay constraints that have been imposed. However, the requirements to reduce outlays cause the Services to either take most of the reductions in O&M and manpower accounts, which directly impact readiness, or take disproportionately larger reductions in procurement accounts. Key concerns in the FYDP are the ability to take care of our people by adequately funding quality of life; maintaining our operational readiness; avoiding serious backlogs in depot maintenance, ship overhaul and real property/facility maintenance, and not losing the tremendous improvements achieved in sustainability. Significant modernization efforts—advanced systems; newer weapons; capability improvements—could also be limited. The negative impact on mission and war fighting capability will need to be closely monitored.

Admiral **Webster**. On the average, we have seen a 10 percent reduction in Operations and Maintenance funding in fiscal year 1988 over fiscal year 1987 levels. To maintain readiness at present levels we have reduced funding for some exercises and support for facilities repair. Likewise, the Services have made reductions in depot level maintenance which will, in the long run, impact on readiness.

The concern is for the future. The service FYDPs have just been published and we are in the first stages of assessing the impacts of changes to the current FYDP. It would be premature to attempt a detailed analysis of all aspects of the Service proposals. Overall it can be said that there are significant reductions to major programs as well as some cancellations. The end game will be a smaller but capable force.

General **Patte**. I cannot address the Five Year Defense Plan (FYDP) because it is presently under review and modification—however I can address fiscal year 1989. The fiscal year 1989 Budget Request holds the manpower growth of the U.S. Army Reserve and Guard to fiscal year 1988 levels, and OPTEMPO to slightly above the fiscal year 1987 level. These actions may affect the readiness of our CS/CSS units. Additionally, funding of Air Force War Readiness Spares Kit (WRSK), in fiscal year 1989 is inadequate and will not support F-15 and F-16 required sorties over the long term.

General **Richards**. OSD analysis indicates a reduction of some $300 billion between the three overlapping years in the fiscal year 1988-92 and fiscal year 1990-94 POMs. We do not yet know the precise impact of those reductions on European Command. That picture will become clearer as we participate in the fiscal year 1990-94 program review process culminating in the summer Defense Resources Board discussions. What concerns me is the cumulative impact of the current negative growth trend in defense spending. We are flirting with a return to the days of "hollow forces." The nation cannot afford that risk in the face of the continuing relentless growth in conventional capability by the Soviets.

USEUCOM REPORTING SYSTEM

Senator **McCain**. I am deeply concerned with the problems in USEUCOM's reporting systems discussed on pages 12 to 14. Could you provide a statement for the record as to what steps you are taking to provide a reporting system that can measure trends and which can be used to estimate readiness in a mission capability and net assessment sense?

General **Richards**. First, please let me clarify that USEUCOM does not have an independent reporting system, but rather relies on the existing Joint Chiefs of Staff system as implemented by the individual services. The primary JCS reporting systems are the Status of Resources and Training System (SORTS) and the Preparedness Evaluation System.

My HQ USEUCOM Readiness shop worked closely with JCS during the last revision (5 Aug 86) of the SORTS regulations. At the upcoming SORTS conference, I have requested JCS to discuss the need for developing a more objective methodology for linking OPTEMPO (steaming days/flying hours) to the reported SORTS training level. Due to the complexities and limitations of the current system, this may be an impossible request. If so, my staff will investigate other alternatives for providing this needed information. The current system does not stand up to Government Accounting Office analytical scrutiny nor does it effectively reflect the impact of reductions in OPTEMPO to reported training levels and/or overall SORTS levels. My representative will support this issue at the upcoming SORTS conference.

My HQ USEUCOM Readiness shop provides my interface with JCS as they continue to develop and refine the recently implemented Preparedness Evaluation System. This system is a major step in the right direction as it attemps to provide a balanced picture of the preparedness of each CINC's forces to carry out their base case Operations Plans. My representative is formulating suggested changes to the format and implementation of the system. He will discuss those suggestions with representatives from JCS and the other CINCs during an upcoming conference in April 88. I am particularly interested in having JCS develop what it refers to as "measures of merit." This hopefully will lead to a system which will allow meaningful historical comparisons and the ability to project ratings based on proposed force structure changes. However, during the development of the system it may be discovered that subjective factors (morale, will to fight, leadership, etc.) prevent the system from providing the desired output.

I currently do not have personnel with the necessary analytical, modeling, and operational expertise to explore the feasibility of and/or to develop this needed system in a timely manner. I am encouraging JCS to consider contracting the development of this "measure of merit" system. This could provide the statistical and systems modeling expertise which would be crucial to determining if a meaningful "measure of merit" system could be developed, and if possible, then to develop the system.

WARSTOPPERS

Senator **McCain**. We are told on page 4 of the USEUCOM readiness statement that the Warsaw Pact has 60 to 90 days of operational spares and equipment deployed forward, and on page 18 that we simply cannot meet our commitment to NATO. Similarly, we are told on page 19 that there are major "warstoppers" in our present readiness, and that there are critical shortfalls in our prepositioned equipment, in most key categories of advanced munitions, in most categories of major land weapons, and in spare parts.

Could you provide a comprehensive detailed list for the record of each one of these shortfalls as they apply to our forces in fiscal year 1989 and at the end of the current FYDP, and of the additional money we would have to add to the budget to correct them?

General Richards. I can provide you with a list of the current "Warstoppers" in European Command, which is classified. Data on shortfalls at the end of fiscal year 1989 and the current FYDP will not be known until completion of the DOD fiscal year 1990-94 program review this summer. Looking at the overall projected funding levels does not suggest sudden and dramatic progress, but I do believe that the 2 percent real growth requested will provide needed budget stability and resume progress in readiness and sustainability at an affordable rate.

Current war stoppers

	On hand percent fill*
USAREUR:	
1. Projectile 155mm (New Technology munitions)	DOS
2. Projectile 8 In (New Technology munitions)	DOS
3. TOW Missiles	DOS
4. Air Defense Missiles	[Deleted]
5. Rocket, MLRS	DOS
6. Tanks (M1/M60A3)	DOS
7. IFV/CFV/ITV (M-2/M-3/M901	DOS
8. 5-Ton Trucks/Hemtt	DOS
9. Aircraft	DOS
10. Drive Train components (track/wheeled vehicles)	DOS
USAFE:	
1. AIM-7 Sparrow	[Deleted]
2. AIM-9 Sidewinder	[Deleted]
3. AGM-65 Maverick	[Deleted]
4. AGM-88 Harm	[Deleted]
5. Durandal/DAACM	[Deleted]
6. Flares (F-15, F-16, F-4)	[Deleted]
7. F-16 370 Gallon Tanks	[Deleted]
USNAVEUR:	
1. AIM-7/9/54	[Deleted]
2. Harm	[Deleted]
3. Harpoon (all delivery modes)	[Deleted]
4. Torpedos MK-46	[Deleted]
5. Sea Sparrow	[Deleted]
6. Walleye	[Deleted]
7. STD Missile-MR	[Deleted]
8. ASROC	[Deleted]

*In some cases days of supply (DOS) are shown to have a range of days. This results from the inability to roll different subcategories for a listed war stopper. Although Hawk does not meet defined criteria due to level of fill, USAREUR assesses it and other air defense missiles to be war stoppers.

NATIONAL STOCK HOLDINGS

Senator McCain. Could you provide as detailed a comparison for the record as possible of the similar shortfalls in each NATO country in the Central Region, and of how the shortfalls in NATO Central Region forces compare with those in opposing NATO and Warsaw Pact forces?

General Richards. Information on national stock holdings of the other NATO countries is not available to European Command.

Senator Dixon. I want to again thank you. I would spend a little more time with you, but I am afraid in a moment I am going to have to go vote, and there would be no point in keeping everybody in this room waiting for a substantial period to come back for one or two more questions.

But I appreciate again your forthrightness and your willingness to give us your time and information, and I assure you that all of your requests will receive our profound consideration, having in mind that nobody is going to be too pleased this year, including this Senator.

Thank you very much.

This meeting is adjourned.

[Whereupon, at 11:36 a.m., the subcommittee was adjourned.]

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 1989

FRIDAY, MARCH 25, 1988

U.S. SENATE,
SUBCOMMITTEE ON READINESS,
SUSTAINABILITY AND SUPPORT,
COMMITTEE ON ARMED SERVICES,
Washington, DC.

READINESS OF WEAPONS SYSTEMS AND SPARE PARTS

The subcommittee met in open session, pursuant to notice, in room SR-222, Senate Russell Office Building at 9:30 a.m., Senator Alan Dixon (chairman) presiding.

Present: Senators Dixon, Levin, Thurmond, and McCain.

Staff present: Arnold L. Punaro, staff director; Robert E. Bayer, Robert F. Bott, Ronald P. Kelly, David S. Lyles, professional staff members; Mary J. Kampo, staff assistant.

Also present: Charles C. Smith, assistant to Senator Dixon; Anthony H. Cordesman, assistant to Senator McCain.

OPENING STATEMENT OF SENATOR ALAN J. DIXON, CHAIRMAN

Senator DIXON. The subcommittee meeting will come to order.

Ladies and gentlemen, the Subcommittee on Readiness, Sustainability and Support meets this morning to continue our hearings on the amended fiscal year 1989 Defense authorization request. On Wednesday, we heard from the designated representatives of four of our major unified combatant commanders.

This morning we will hear from the senior logistics commanders of the Army, Navy and Air Force. These commanders are responsible for ensuring that weapons systems are overhauled on schedule, and that the spare parts for peace time and war time operations are on the shelves, when and where they are needed.

Gen. Louis C. Wagner, Jr., is the commander of the Army Materiel Command.

Gen. Alfred G. Hansen is the commander of the Air Force Logistics Command.

Vice Adm. Stanley R. Arthur is deputy chief of Naval Operations, logistics, in the office of the Chief of Naval Operations.

Gentlemen, we welcome you to the subcommittee and we appreciate your being here this morning. Your full statements of course will be included in the record. May I say that I have read them all in full and that I appreciate the content of them and we will produce them all in the record.

We will have questions after you have given your oral testimony. I believe that we can conduct the entire hearing this morning in open session. However, we will reserve a few minutes at the end for a closed session if necessary, to discuss any classified matters that may come up.

I am delighted to see my distinguished friend, Senator McCain of Arizona here. John, I cleared the moving ahead a couple of minutes early with the three distinguished witnesses. I hope you do not take offense to that.

Do you have any statement that you want to put in the record, John?

Senator McCAIN. If I could make a very brief opening statement, Mr. Chairman.

Senator DIXON. The Senator from Arizona.

Senator McCAIN. Thank you, Mr. Chairman, and I thank the witnesses. They should be complimented for the skill with which they have coped with this year's budget cuts. I think that there is a can do attitude in all three statements that I have read that reflect some major achievements in coping with some very serious resource problems.

Nevertheless, I am a bit disturbed by our inability to understand the long term implications of this year's budget cuts. I have the strong feeling that things would get much worse in fiscal year 1990 and 1994, even if you get the 2 percent annual real rise in defense spending that President Reagan is asking for, and which we of course have certainly no assurance of at this time.

And in fact, if trends continue, that is somewhat unlikely. I would like therefore to get your commitment to provide the following information for the record as soon as you can complete your revision of the out years of the current FYDP.

I would like to know specifically what aspects of readiness are projected to decline further in the out years of the current FYDP and please, specify in what quantity in your answers.

I would like to know how this decline would affect our ability to meet our commitments and our capabilities by major mission.

Finally, I would like to know how much worse will this situation be if you do not get the 2 percent annual real rise in defense spending that the President is seeking. I think that we have got to come to grips with this issue in time so that the American people and the Congress will know and we can not wait until next year or the following year to understand the implications of the current budget.

I would appreciate it if I could obtain those facts and I would be glad to give you these questions in writing so that as soon as we can within reason we can have a response.

FURLOUGHS THROUGH BUDGET CUTS

Let me turn to one more specific issue, and that is furloughs. My State, and I mention my colleague from Illinois State has already been hit hard by such actions and I gather more may be coming from the Army. I would appreciate in your testimony if you could let us know what we can anticipate in the future in the way of these furloughs.

I know that many of them may be necessary in light of budget cuts, but I think that it would be helpful to all Members of Congress to have some idea of what we can expect in the future in the way of furloughs and/or RIFs. Recognizing that these are not voluntary actions on your part, but actions that are required due to the changes in the budget.

Thank you, Mr. Chairman.

Senator DIXON. I thank my distinguished friend from Arizona. And I asked David Lyles to give to your staff man a copy of the GAO letter of March 21, and to the distinguished chairman of the Subcommittee on Readiness of the House Armed Services Committee. You may want to look at that, because we will get back to that later.

I would say to my friend from Arizona, gentlemen, the Senator from Arizona and I have read your rather lengthy and very fine statements. If you can confine your remarks to the best of your ability to approximately 10 minutes, it would be an accommodation to us and then we will get into the questions that we are particularly concerned about at the earliest convenient time.

I am delighted to recognize Gen. Louis C. Wagner, Jr., Commanding General of the U.S. Army Materiel Command for your statement. General Wagner.

STATEMENT OF GEN. LOUIS C. WAGNER, JR., COMMANDING GENERAL, U.S. ARMY MATERIEL COMMAND

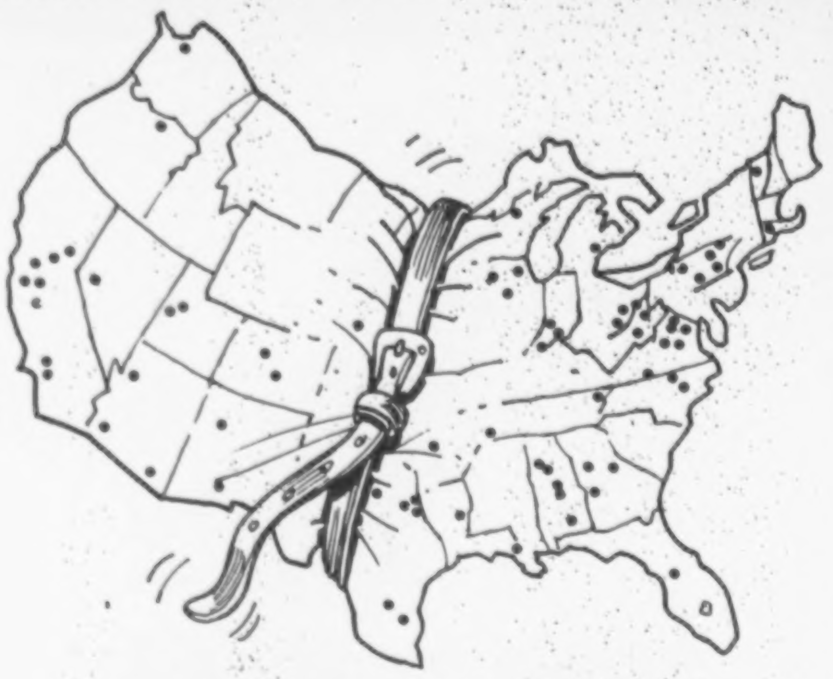
General WAGNER. Good morning, Mr. Chairman. I am delighted to be here today.

This is the sixth consecutive year that I have testified before this committee in three different positions. I am going to bring a little different story today, as you may realize, than I brought in the past.

These are nonstandard times, and as a result of that, I am not going to show you standard charts initially that lay out a lot of numbers and trends. I can get into any level of detail that you want, but I want to give you a perspective on where I see the logistic support of the Army is going from the Army Materiel Command's view.

We are the principal support of the Army. As you probably know we are responsible for the development, the fielding and then the logistical support of the equipment.

ARMY MATERIEL COMMAND



THE BELT *IS* TIGHT

Even though we are an organization that has worldwide commitments, we are also made up of a lot of small entities throughout the United States. Our 115,000 people are found in around 350 different locations. There are only eight States where I do not have an installation today.

Unusual for the Army is the fact that 9 out of 10 people who work for me are civilians who support our Army throughout the world. That includes overseas, not just the United States.

I think we have made some real accomplishments in the last several years. You need only look at what has happened in our Army as far as the equipment we are fielding. The M–1 tank, now the M1A1 tank is going into Germany in a vastly improved model. The Bradley fighting vehicle, the Apache helicopter, the Blackhawk, are great systems—it goes on and on.

In competition in contracting, which is really the heart and soul I think of improving our system, we have gone from 34 percent to 43.9 percent in the last 3 years. I think more important is that 81 percent of our total contracts are now competitive.

It is kind of unusual in my view, but we cannot count as a competitive contract some of our major ones, like the M–1 tank and the Apache helicopter, which were competitive programs initially, but can only be counted in the year of completion. If we looked at those, a much greater percentage in dollars would also be competitive in nature.

In the spare parts area, we are very aware of what the GAO has found wrong, and we will talk about that more later. There were difficulties which are being corrected.

For example, in the breakout area, we looked at 19,000 items last year, determined that we could save probably 25 percent by directly contracting or competing about 10,000. We are going to continue to do that as we drive ahead. We take value engineering very seriously, and in the last 2 years we estimate that we saved about a billion dollars in value engineering changes.

I really think that we can do better in that area. We are working very closely with industry, asking them for their ideas and innovative techniques. I am willing to change any regulation if necessary, cutting out paperwork and so forth. I want to save dollars. This is a major effort of Mr. Costello and I support him very strongly.

In our development, we are looking at streamlining our acquisition system. No one is more frustrated than I am that it takes us so many years to field a piece of equipment. We can shorten that time if we work on the front end properly with the user. That is the Training and Doctrine Command in the Army.

The CINCs out in the field make sure that we ask for what is possible and do not gold plate it in the initial requirement. Then we have to do a better job in the Army Materiel Command in our acquisition plan and be completely willing to buy off the shelf if it is available and will save us dollars. We have done that on some of our major programs recently.

Unfortunately, we have got some real problems too. A major problem that I have in the Army Materiel Command is in what I call Program 75 or Central Supply. This is the glue that really holds together everything we do. It pays 41,000 of my 106,000 civilians. So it is very important to me. I cannot operate my depots without this. It pays for the people who receive, store, issue and inventory the equipment.

I can not even let contracts without these funds, because the people who write and negotiate contracts are paid out of this account. Transportation to move supplies is paid out of it, as is ammunition demil, and industrial preparedness of laid-a-way waste facilities. You are very familiar with this because of some of the problems we have had in ammunition plants right in your home State.

These dollars for industrial preparedness are not available, so we have had to let people go and that is always tough. When we do that the plants are not ready to open in case of war. We have done just about all that we can do right now to solve this problem internally in the Army Materiel Command. I have laid off a majority of the temporary employees. We have cut overtime to the bare minimum, in fact, I am having trouble now getting all of my spare parts on contract because, with the losses in personnel and a shortage of overtime I get behind in letting those contracts.

I have received approval for and implemented an early retirement program. So far, 2,100 people in the Army Materiel Command have accepted this. That helps solve the problem. Unfortunately, a lot of those are key people who are in key positions. I have got to pick up the slack for them.

If we do not get some relief, and as you know, there is a move on the Hill today for transfer authority to give us additional dollars, I will have to consider a furlough. It would be ridiculous if I did not start now planning for that so the people understand what I am doing. I have written a letter to every single employee of the Army Materiel Command telling them what we are doing today to prevent that and the extremes I am willing to go to to prevent it.

But it could involve up to 41,000 people in that one account, with furloughing them up to 15 days. When you do something like that, it is going to have a terrible affect on readiness. So I am looking at every possible thing that I can do to prevent that.

I believe that if we do get the transfer authority, I can solve that problem.

Senator **DIXON**. Where is that request right now, if you know, General?

General **WAGNER**. It has been released from the OMB and it is on the Hill as far as I know. That is what I was told yesterday.

Senator **DIXON**. All right.

General **WAGNER**. The shortfall impacts our ability to satisfy the soldiers maintenance and support. It is not something that you can look at in just one area and say, if I solve that problem I have solved the entire problem. If we defer maintenance it is going to come back and bite us sometime.

For example, in my depot maintenance backlog I am only funded in fiscal year 1988 for about 63 percent of the end items that I need to overhaul. Now that means tanks, aircraft and things of that nature.

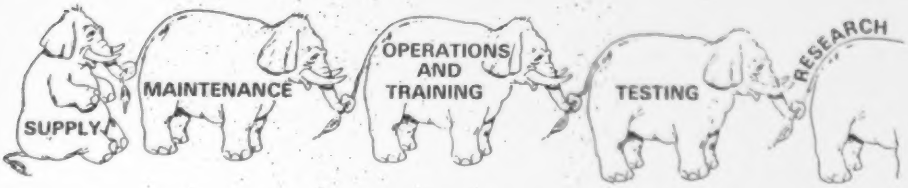
We are still flying aircraft needing overhaul, but it takes more spare parts to do that. And in time, they will start breaking down. I am only funded at 71 percent in fiscal year 1989 for that. I will continue however to fully use all the resources available to work the spare parts which we have to rebuild in our depots to keep readiness up as much as possible.

The things that I am not going to do, include the inventories. This is a criticism of the GAO. Because, if I lose track of my inventories, eventually I am not going to be able to find the item, and I am not going to be able to ship them. So I just cannot put that off forever.

We have billions of dollars worth of spare parts and end items in storage that we have to take care of, and those are the things that will suffer.

For example, in this fiscal year, 1988, I am only funded at about 33 percent of that level. Unfortunately, in fiscal year 1989 it is even worse, it drops down to about 10 percent of the capability to do those items. So it is not going to get better. And what you highlighted at the beginning is absolutely true.

READINESS

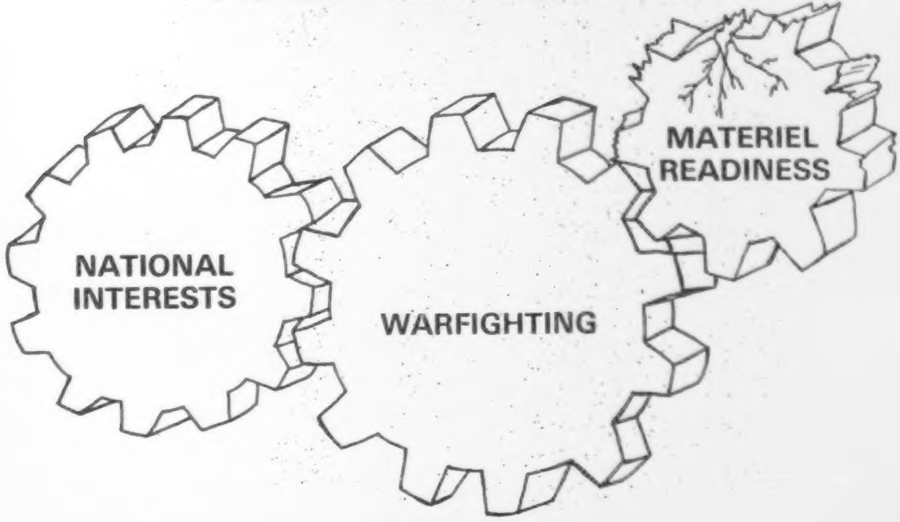

SUPPLY
MAINTENANCE
OPERATIONS AND TRAINING
TESTING
RESEARCH

A DELICATE, INTERLOCKED BALANCE

Readiness is very delicate, and we have to look at all the pieces of it and pull them together. I like to say it is made up of two parts, the part that I work on on a daily basis is materiel readiness. That means that I have the capability in my depots to supply the spare parts, to rebuild the spare parts and to keep the Army supplied out in the field.

But that is only one piece of it. The second part is getting the spare parts to the soldiers who have to operate the equipment and training them to do their jobs. And; if we put all that together, we are going to have a very effective Army.

CAPACITY FOR SUSTAINABILITY

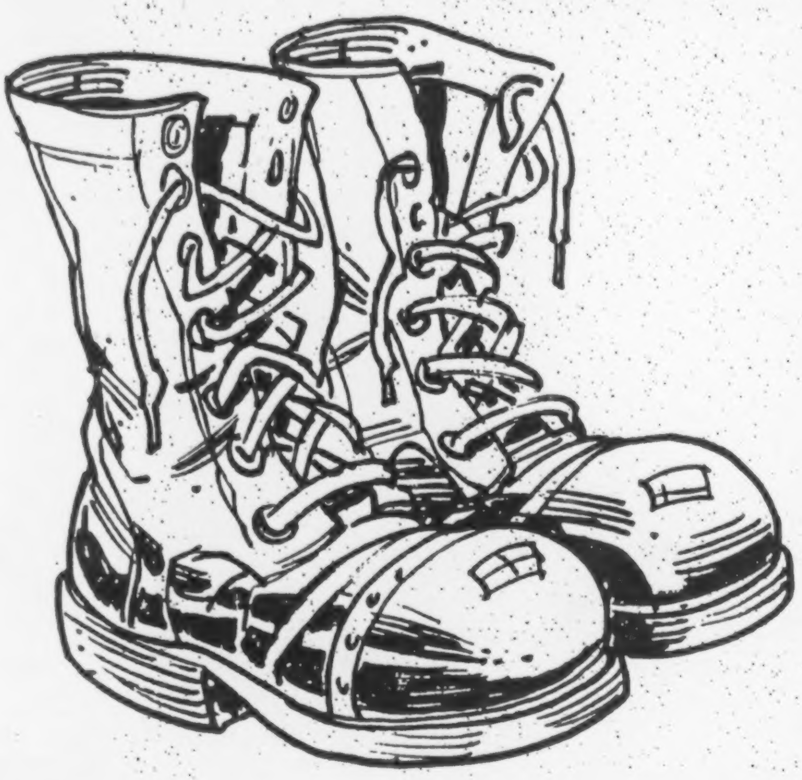

NATIONAL INTERESTS
WARFIGHTING
MATERIEL READINESS

When we look at sustainability today, we have a much smaller Army. You are very aware of that. It is the smallest we have had in all of the years I have been in the Army. We have a lot of missions to perform, and I would say that we can perform those missions today very well. We can react very quickly, but I worry that we will not be able to sustain ourselves in war time.

For example, I have 28 ammunition plants, 16 active today. They are antiquated, in most cases, in their capability to react quickly in case of war. In my depot system the buildings average age is 37 to 40 years. My equipment is 15 years old. Industry could not operate that way because it would not be cost effective. Those items need to be upgraded if we are going to have the sustainability that we need in the future.

As I look at the future, readiness and sustainability requirements in the Army are not going to change. They are still going to be our top priority. That means that we have to be prepared in the Army Materiel Command to be able to take care of those problems.

FUTURE TRENDS



When we entered this decade the Chief of Staff of the U.S. Army said that we had a hollow Army, and that is what these empty boots up here indicate. We are not a hollow Army today. But I feel that if we continue on the path that we are on in the materiel side of our depots and so forth, we are going to end up with those empty boots again as we go into the next decade.

I think that would be a sin, both in terms of the superb soldiers that we have out there today, and in our capability to support our

Army and carry out our world wide missions. I think that this is well summed up in a quote that I would like to give you from Tom Clancy, who is more famous you know for *The Hunt for Red October* and *Red Storm Rising,* but he said in a recent editorial in the Washington Post that "An Army or a Navy is not a collection of tanks or missiles, fighting force is composed of people. A tank is only a piece of steel without a crew, it will not go anywhere without proper maintenance support. Even a good crew can't take it very far." That is the point I want to make. I am afraid that that is where we are headed in the Army if we do not get proper support.

WE WILL DO LESS WITH LESS

As I said, I have been testifying before this committee for 6 years now. I have never come over here and said that I couldn't do more with less. I am going to tell you today, that I am going to do less with less. Because unless I can get some relief in those critical areas in supply and maintenance, I am not going to be able to keep up the readiness of the Army that we need to carry out our missions and give our soldiers the support they need in the future.

Thank you, Mr. Chairman.

[The prepared statement of General Wagner follows:]

STATEMENT BY
GENERAL LOUIS C. WAGNER, JR.
COMMANDING GENERAL
U.S. ARMY MATERIEL COMMAND

INTRODUCTION

MR. CHAIRMAN, DISTINGUISHED COMMITTEE MEMBERS, THANK YOU FOR THIS OPPORTUNITY TO ADDRESS READINESS, SUSTAINABILITY AND SUPPORT IN OUR ARMY. AS YOU REQUESTED, MY COMMENTS ARE ORIENTED TO THE CURRENT ABILITY OF THE ARMY MATERIEL COMMAND TO MEET PEACETIME AND WARTIME LOGISTICS REQUIREMENTS, RECENT INITIATIVES AND ACHIEVEMENTS, AND AREAS OF CONCERN IN EXECUTING OUR FY88 AND FY89 BUDGET. I WILL DISCUSS SUPPLY SUPPORT, DEPOT MAINTENANCE, AND PROCUREMENT OF SPARE AND REPAIR PARTS. THE AREAS OF AMMUNITION SUPPORT AND MILITARY CONSTRUCTION/PLANT MODERNIZATION WILL ALSO BE ADDRESSED.

I APPRECIATE YOUR INVITATION TO TESTIFY BEFORE YOUR SUBCOMMITTEE ON THESE MATTERS WHICH ARE VITAL FOR OUR ARMY IN MAINTAINING A CREDIBLE DETERRENCE TO WAR, AND FOR OUR NATION TO RETAIN ITS LEADERSHIP POSITION IN THE FREE WORLD.

THROUGHOUT THIS DECADE, WITH YOUR SUPPORT AND THAT OF THE ADMINISTRATION, OUR ARMY HAS UNDERGONE A MODERNIZATION UNPRECEDENTED IN OUR NATION'S HISTORY. WE ARE WELL ON COURSE IN REBUILDING WHAT HAD BEEN IDENTIFIED BY A FORMER ARMY CHIEF OF STAFF AS A "HOLLOW" ARMY. WE HAVE UPGRADED OUR WEAPON SYSTEMS WITH MODERN, STATE-OF-THE-ART TECHNOLOGICAL CAPABILITIES. THE APACHE, BLACKHAWK, ABRAMS, BRADLEY, AND MLRS FIELDINGS, TO CITE JUST A FEW EXAMPLES, ARE PROCEEDING, ALTHOUGH ON A SLOWER SCHEDULE THAN DESIRED. THESE, AND OTHER FIRST LINE SYSTEMS BEING INTRODUCED INTO OUR ARMY WEAPONS ARSENAL, HAVE NO TECHNOLOGICAL MATCH IN THE ARMIES OF OUR POTENTIAL ADVERSARIES. EVEN MORE IMPORTANTLY, THE SOLDIERS WHO OPERATE THIS EQUIPMENT ARE THE FINEST IN OUR ARMY'S HISTORY.

WE CANNOT BECOME COMPLACENT BECAUSE OF THESE PAST FORCE MODERNIZATION ACCOMPLISHMENTS. WE MUST CONTINUE THE MODERNIZATION PROGRAMS WE HAVE

STARTED, AND FOLLOW THROUGH WITH DEVELOPMENT OF NEW WEAPON SYSTEMS CAPABILITIES, SUCH AS FORWARD AREA AIR DEFENSE SYSTEM (FAADS) TO SHORE UP OTHER IDENTIFIED FORCE STRUCTURE WEAKNESSES AND TO COUNTER EMERGING THREATS.

IT IS INCUMBENT ON OUR MILITARY SERVICES TO MAINTAIN A BALANCED, ROBUST TECHNOLOGY BASE. THE ARMY IS CERTAINLY SENSITIVE TO OTHER INCREASING HIGH PRIORITY DEMANDS AND NEEDS FOR FEDERAL FUNDS. HOWEVER, TECHNOLOGY MUST CONTINUE TO REMAIN AN ARMY ALLY, NOT AN ARMY ADVERSARY. YOUR COMMITTEE'S CONTINUED SUPPORT OF OUR R&D BUDGET REQUESTS TAKES ON ADDED IMPORTANCE AS WE ENTER A PERIOD WHICH MAY BE CHARACTERIZED BY REAL REDUCTIONS IN DEFENSE EXPENDITURES.

AN EFFECTIVE ARMY REQUIRES MORE THAN TECHNOLOGICALLY SUPERIOR WEAPON SYSTEMS. IT REQUIRES BUILT-IN QUALITY AND RELIABILITY, AND A RESPONSIBLE AND RESPONSIVE LOGISTICS SUPPORT SYSTEM TO ENSURE OUR MATERIEL PERFORMS UP TO ITS MAXIMUM POTENTIAL. COLLECTIVELY, OUR SUPERB SOLDIERS, NEW WEAPON SYSTEMS, AND PROPER LOGISTIC SUPPORT WILL HELP OUR ARMY TO OFFSET THE WARSAW PACT NUMERICAL SUPERIORITY.

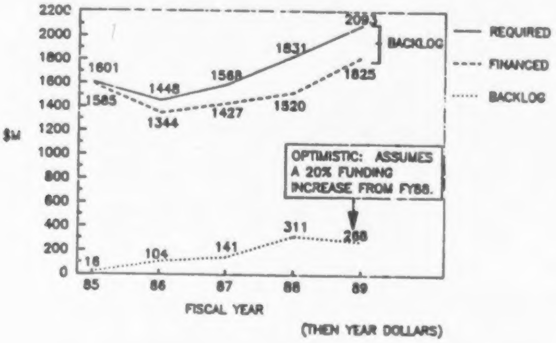
MAINTENANCE

WE ARE CONCERNED ABOUT THE EFFECT THE FY88 FUNDING SHORTFALL IS HAVING ON OUR ABILITY TO SATISFY OUR CONTINUING MAINTENANCE AND SUPPORT NEEDS, AND THAT THE OUTLOOK FOR FY89 IS NOT EXPECTED TO IMPROVE. AS OUR OLDER EQUIPMENT IS DISPLACED TO OTHER ACTIVE AND RESERVE COMPONENTS, IT WILL CONTINUE TO ACCUMULATE MILES AND HOURS, REQUIRING INCREASED LEVELS AND FREQUENCY OF MAINTENANCE. MAINTENANCE REQUIREMENTS WILL BE FURTHER INCREASED AS OUR NEWER, MORE COMPLEX, FORCE MODERNIZATION SYSTEMS ARE CYCLED THROUGH THE DEPOTS. FOR EXAMPLE, OUR FIRST ABRAMS TANK WAS OVERHAULED LAST YEAR, AND WE ARE NOW SEEING THE FIRST BRADLEYS, BLACKHAWKS, AND MLRS INDUCTED INTO DEPOT OVERHAUL PROGRAMS.

A VIABLE DEPOT MAINTENANCE CAPABILITY IS ESSENTIAL TO SUSTAIN OUR ARMY IN PEACE AND WAR. FORTUNATELY, OVER THE PAST FOUR YEARS, THE CONGRESS HAS

RECOGNIZED THIS NEED AND SUPPORTED OUR REQUESTS. EVEN WITH THIS HELP, HOWEVER, FUNDING IS STILL NOT KEEPING PACE WITH REQUIREMENT GROWTH. THE FY88 PROGRAM IS FUNDED AT 83 PERCENT, AND THE BACKLOG, OR UNFINANCED WORK AGAINST THE HARDWARE REQUIREMENT, IS $311 MILLION. THE SITUATION IS NOT EXPECTED TO BE MUCH BETTER IN FY89, WHEN WE ARE PROJECTING TO BE ABLE TO FUND THE PROGRAM AT 87 PERCENT, OR A $268 MILLION BACKLOG.

DEPOT MAINTENANCE



IN THE FACE OF CONSTRAINED DEPOT MAINTENANCE FUNDING LEVELS, SECONDARY ITEM OVERHAUL PROGRAMS (COMPONENT REPAIRS) WILL REMAIN OUR TOP PRIORITY TO SUSTAIN READINESS. JUST 63 PERCENT OF OUR ESTIMATED END ITEM REQUIREMENTS CAN BE OVERHAULED IN FY88 AND 71 PERCENT IN FY89.

READINESS AND SUSTAINMENT DEGRADATION ARE THE IMMEDIATE AND REAL RISKS ASSOCIATED WITH DELAYING DEPOT LEVEL MAINTENANCE REQUIREMENTS. I AM CONCERNED THAT THE ENHANCED CAPABILITY OF MODERNIZED FORCES WILL BE OFFSET, AND AN INCREASED MAINTENANCE BURDEN WILL BE PLACED ON OUR SOLDIERS TO KEEP THEIR EQUIPMENT IN AN OPERATIONAL, BUT LESS RELIABLE, CONDITION.

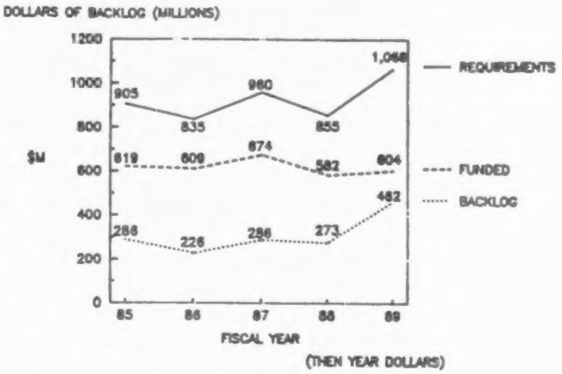
A KEY TO AN EFFECTIVE DEPOT MAINTENANCE PROGRAM IS STABILITY. WITH THIS, WE NEED YOUR HELP TO ASSURE THAT THE GUIDANCE WE RECEIVE IS CONSISTENT. THIS IS ESSENTIAL. AS YOU KNOW, I SUPPORT THE NEED TO MAINTAIN A CORE OR ORGANIC OVERHAUL CAPABILITY FOR OUR HIGH TECHNOLOGY EQUIPMENT, BUT WE ALSO NEED FLEXIBILITY TO MANAGE THE WORKFORCE AS REQUIREMENTS CHANGE. OTHER INITIATIVES THAT ARE NOT NECESSARILY CONSISTENT WITH STABILIZING DEPOT

MAINTENANCE PROGRAMS ARE DEPOT WORKFORCE FLOORS BY LOCATION, COMPETING WORKLOADS IN GEOGRAPHIC AREAS WHERE IT GENERATES WORK AWAY FROM EXISTING DEPOT LOCATIONS, AND COMPETING WORKLOADS BETWEEN THE ORGANIC BASE OF THE SERVICES AND INDUSTRY. THE NEED FOR INCREASING PRODUCTIVITY THROUGH COMPETITION IS RECOGNIZED, BUT IT MUST BE KEPT IN BALANCE WITH READINESS AND SUSTAINABILITY.

AN EQUALLY IMPORTANT, BUT LESS VISIBLE, ELEMENT OF MAINTENANCE IS MAINTENANCE SUPPORT ACTIVITIES. THIS FOCUSES ON SUPPORT TO THE FIELD RATHER THAN THE DEPOT PRODUCTION LINES, AND INCLUDES SUCH ITEMS AS MAINTENANCE ENGINEERING BEFORE, DURING, AND AFTER DEPLOYMENT; NEW EQUIPMENT TRAINING; TECHNICAL ASSISTANCE; CENTRALIZED PROGRAMMING AND PLANNING SUPPORT; AND THE UPDATING OF TECHNICAL PUBLICATIONS FOR OPERATING AND MAINTAINING THE EQUIPMENT AFTER FIELDING.

IN FY88 THIS PROGRAM IS ONLY 68 PERCENT FUNDED, AND IS PROJECTED TO DECREASE TO ABOUT 57 PERCENT IN FY89. THESE MARGINAL FUNDING LEVELS WILL INHIBIT OUR ABILITY TO SUPPORT THE ENGINEERING CHANGES NECESSARY FOR LONG TERM RELIABILITY AND MAINTAINABILITY IMPROVEMENTS; TO TRAIN OUR SOLDIERS ON NEW EQUIPMENT AS WE FIELD IT; AND TO ASSURE THAT OUR SOLDIERS HAVE THE TECHNICAL DOCUMENTATION AND ASSISTANCE THEY NEED TO OPERATE AND MAINTAIN THEIR EQUIPMENT.

MAINTENANCE SUPPORT ACTIVITIES
BACKLOG



SUPPLY

THE MOST CRITICAL ISSUE TODAY IN SUSTAINING READINESS AND SUPPORT TO THE FIELD ARE THE DOLLARS REQUIRED TO EFFECTIVELY RUN OUR CENTRAL SUPPLY

ACTIVITIES, WHICH INCLUDES TRANSPORTATION. THE KEY TO THIS IS PROGRAM 7S, ARMY CENTRAL SUPPLY ACTIVITIES, WHICH IS A MAJOR EMPLOYER PROVIDING LOGISTIC SUPPORT TO DEPOT MAINTENANCE AND THE ARMY IN THE FIELD. SUPPLY OPERATIONS, LOGISTICS SUPPORT ACTIVITIES, TRANSPORTATION, AND INDUSTRIAL PREPAREDNESS OPERATIONS ARE ESSENTIAL TO FACILITATE THE REST OF THE MAINTENANCE SYSTEM THROUGHOUT THE ARMY. SUPPLY AND TRANSPORTATION IS THE GLUE FOR THE WHOLE LOGISTICS SYSTEM. ALL AMC CONTRACTS ARE PREPARED AND NEGOTIATED BY CENTRAL SUPPLY-FUNDED PEOPLE, AND SUPPLIES AND MAJOR WEAPON SYSTEMS ARE RECEIVED, STORED, AND PHYSICALLY MAINTAINED BY SUPPLY-FUNDED EMPLOYEES IN OUR DEPOTS.

UNFORTUNATELY, THE ARMY WAS FORCED TO FUND OPERATIONS AND MAINTENANCE (OMA) ACTIVITIES AT A MINIMUM LEVEL THIS FISCAL YEAR. THE FY88 FUNDING LEVELS ARE LARGELY THE RESULT OF THE REQUIREMENT TO ABSORB SUCH COSTS AS PAY RAISES, CIVILIAN HEALTH COSTS, THE MEDICAL PROGRAM FOR THE UNIFORMED SERVICES (CHAMPUS), AND, MOST SIGNIFICANTLY, MASSIVE FOREIGN CURRENCY VALUE FLUCTUATION REQUIREMENTS. ALL OF THESE WERE INSUFFICIENTLY FUNDED IN THE FY88 APPROPRIATION ACT. THE FINAL BILL TO OMA WAS $1.4 BILLION. THE FINANCED LEVELS ARE REDUCED BELOW THE MINIMUM REQUIREMENT TO SUPPORT ESSENTIAL READINESS.

THE EFFECT ON CENTRAL SUPPLY ACTIVITIES IS DRAMATIC. REAL PURCHASING POWER ARMY-WIDE DECREASED BY 11 PERCENT FROM THE FY87 LEVEL AND DECREASED BY 20 PERCENT IN THE AMC. THE EFFECT OF THIS DECREASE FORCED ME TO RELEASE MOST OF OUR TEMPORARY EMPLOYEES, IMPLEMENT AN EARLY RETIREMENT OPTION AND HIRING FREEZE, AND REDUCE OVERTIME AND OTHER NON-PERSONNEL ACCOUNTS, TO INCLUDE TRAVEL, TO THE GREATEST EXTENT POSSIBLE. HOWEVER, THESE ACTIONS IN THEMSELVES HAVE NOT, AND WILL NOT, SOLVE THE SUPPLY FUND SHORTAGE. IF NO OTHER SOLUTION IS FOUND, THE ONLY OPTION AVAILABLE IS TO FURLOUGH A LARGE NUMBER OF PEOPLE; THEREFORE, FURLOUGH PLANNING HAS BEGUN. IF THE FURLOUGH IS RESTRICTED TO CENTRAL SUPPLY FUNDED EMPLOYEES, THIS WILL REQUIRE THE FURLOUGH OF 41,000 EMPLOYEES FOR 15 DAYS TO OFFSET THE DEFICIT.

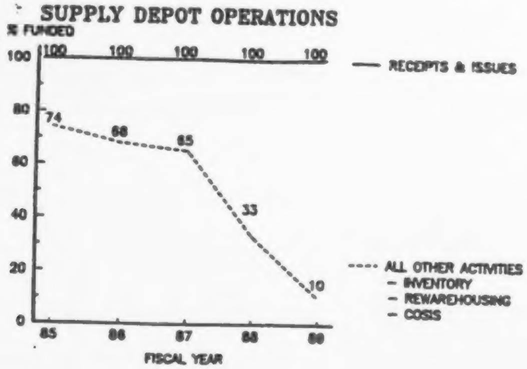
I BELIEVE THAT THIS IS A BREACH OF LOYALTY WITH THE EMPLOYEES AND WILL DO LONG-TERM DAMAGE TO OUR ABILITY TO RECRUIT AND TRAIN A SKILLED, QUALITY WORKFORCE WHICH IS A KEY LOGISTICS INGREDIENT IN READINESS OF THE ARMY. WE

ALREADY HAVE BEGUN TO WITNESS AND EXPERIENCE SKILL IMBALANCES AS THE WORKFORCE DECLINES. THIS DECLINE IN THE WORK FORCE TAKES AWAY OUR CAPABILITY TO SURGE TO MEET NEW AND CHANGING REQUIREMENTS (E.G., EMERGENCIES AND MOBILIZATIONS) FOR ALL CLASSES OF SUPPLY, INCLUDING AMMUNITION.

AN INCREASE IN THE SECRETARY OF DEFENSE TRANSFER AUTHORITY TO $4 BILLION IS A PARTIAL ANSWER TO THIS PROBLEM; HOWEVER, ADDITIONAL REPROGRAMMING AUTHORITY MAY STILL BE REQUIRED. I SUPPORT THIS ACTION WHOLEHEARTEDLY AND SOLICIT YOUR SUPPORT.

WHILE FY88 IS BAD, THE SITUATION WORSENS IN FY89. REAL PURCHASING POWER IN THE SUPPLY PROGRAM DECLINES BY 22 PERCENT FROM THE FY87 LEVEL FOR THE ARMY, AND BY 28 PERCENT FOR THE AMC. THIS LEVEL WILL REQUIRE CONTINUED WORKFORCE IMPACTS EVEN MORE DRASTIC THAN THE ACTIONS ONGOING IN FY88, WITH REAL POTENTIAL FOR AN FY89 REDUCTION-IN-FORCE. THE ARMY CANNOT CONTINUE TO OPERATE EFFECTIVELY UNDER THESE ADVERSE CONDITIONS.

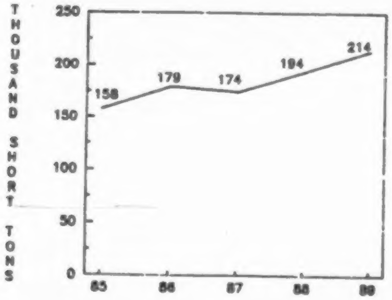
I WILL NOW DISCUSS IN MORE DETAIL THE COMPOSITION OF CENTRAL SUPPLY ACTIVITIES. FIRST, THE SUPPLY DEPOT OPERATIONS PROGRAM PAYS FOR THE INTERNAL OPERATIONS OF OUR DEPOTS. ACTIVITIES INCLUDE RECEIPT AND ISSUE OF MATERIEL, PHYSICAL INVENTORY, REWAREHOUSING, AND CARE OF SUPPLIES IN STORAGE (COSIS). OF THESE, RECEIPT AND ISSUE ACTIVITIES ARE OUR NUMBER ONE PRIORITY FOR AVAILABLE FUNDING. SUPPLY DEPOT OPERATIONS FUNDING LEVELS ARE DECLINING TO UNACCEPTABLE LEVELS. TO PUT THIS INTO PERSPECTIVE, FY88 FUNDING WILL PAY FOR RECEIPT AND ISSUE, BUT ONLY PAY FOR ONE-THIRD OF THE OTHER SUPPLY DEPOT ACTIVITIES. IT APPEARS IN FY89 WE MAY ONLY BE ABLE TO FUND 10 PERCENT OF THESE OTHER ACTIVITIES.



THE TRANSPORTATION PROGRAM FUNDING SITUATION IS NO BETTER. I HAVE DIRECTED MONEY-SAVING ACTIONS FOR TRANSPORTATION THAT WILL DELAY LOW PRIORITY SHIPMENTS AND REDUCE THE LEVEL OF SERVICE TO OUR CUSTOMERS. THIS IS AN INTERIM MEASURE FOR FY88 AS WE WAIT FOR ADDITIONAL FUNDING. IF FUNDING IS NOT FORTHCOMING, WE WILL CEASE SHIPMENTS FOR ALL CLASSES OF SUPPLY BEFORE THE YEAR ENDS. THIS HOLDS TRUE FOR FY89 AS WELL. THE FY89 BUDGET GIVES AMC ONE-THIRD LESS THAN HAS BEEN HISTORICALLY OBLIGATED FOR TRANSPORTATION. THE TRANSPORTATION FUNDING SHORTFALL ALSO PUTS MODERNIZATION FIELDINGS IN JEOPARDY. DELAYS MAY BE REQUIRED TO CONSERVE FUNDS AND REDUCE THE IMPACT ON CIVILIAN PAY.

ADDITIONALLY, OUR OBSOLETE AMMUNITION STOCKPILE REQUIRING DEMILITARIZATION CONTINUES TO GROW AT A RATE OF 20,000 SHORT TONS PER YEAR. AT THIS PACE, OUR BACKLOG WILL APPROXIMATE 200,000 SHORT TONS BY FY89. PROJECTED FUNDING FOR AMMUNITION DEMILITARIZATION IS LESS THAN FIVE PERCENT OF OUR EXECUTABLE REQUIREMENT PER YEAR.

AMMO DEMIL STOCKPILE



THE CORNERSTONE OF OUR CAPABILITY TO CONTRACT WITH THE PRIVATE SECTOR IS THE CENTRAL PROCUREMENT PROGRAM ALSO FUNDED UNDER CENTRAL SUPPLY ACTIVITIES. THIS LABOR INTENSIVE PROGRAM HAS BEEN DIRECTLY AFFECTED BY OUR CURRENT PERSONNEL ACTIONS, AND WILL CONTINUE TO BE IMPACTED IN FY89. IT IS ANTICIPATED THAT THIS WILL RESULT IN AN INCREASE IN THE PROJECTED PROCUREMENT BACKLOG. STOCK AVAILABILITY WILL ULTIMATELY BE IMPACTED, AND READINESS WILL BE DEGRADED. WE ARE TRYING THE BEST WE CAN TO MINIMIZE THE IMPACT.

CRITICAL TO OUR MOBILIZATION CAPABILITIES IS OUR ABILITY TO MAINTAIN OUR

LAID AWAY FACILITIES AND EQUIPMENT. THE CURRENT FY88 AND FY89 FUNDING LEVELS WILL CAUSE VIRTUALLY ALL MAINTENANCE OF OUR LAID AWAY INDUSTRIAL BASE TO CEASE. THE IMPACT ON READINESS IS INCREASED ACTIVATION TIME AND COST TO BRING THESE FACILITIES ON LINE.

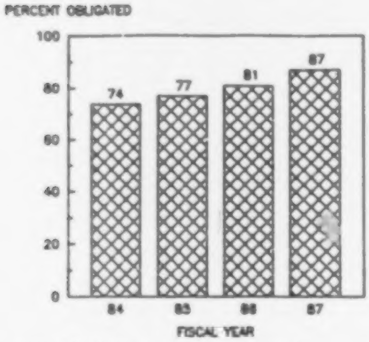
ACHIEVEMENTS

NEXT, I WOULD LIKE TO SHARE WITH YOU SOME OF OUR PAST ACCOMPLISHMENTS. THE EFFECTIVENESS OF THE ARMY MAINTENANCE PROGRAM IS TIED DIRECTLY TO OUR ABILITY TO PROVIDE TIMELY SPARES AND REPAIR PARTS WHEN AND WHERE NEEDED THROUGHOUT THE WORLD, INCLUDING OUR DEPOT SYSTEM. I AM HAPPY TO REPORT THAT WE HAVE GENERALLY BEEN ABLE TO MEET ESTABLISHED SUPPLY SUPPORT AND EQUIPMENT READINESS STANDARDS. CONGRESSIONAL SUPPORT OF OUR $1.6 BILLION FY89 PA-SECONDARY SPARES REQUEST WILL ENABLE US TO BUY THE SPARES WE NEED INTO THE THE NEXT DECADE. HOWEVER, IT MUST BE RECOGNIZED THAT BALANCE IS REQUIRED BETWEEN THE VARIOUS BUDGET PROGRAMS. THIS IS PARTICULARLY SIGNIFICANT BECAUSE WE MUST SOLVE THE PREVIOUSLY MENTIONED MAINTENANCE AND SUPPLY FUNDING SHORTFALLS TO EFFECTIVELY EXECUTE THE SPARES PROGRAM.

FULL FUNDING, HOWEVER, IS ONLY PART OF THE EQUATION. READINESS AND SUSTAINABILITY ARE ALSO TIED DIRECTLY TO OUR ABILITY TO EFFECT RESPONSIVE AND RESPONSIBLE CONTRACTS FOR THE SUPPLIES AND SERVICES NEEDED TO SUPPORT OUR ARMY. I AM HAPPY TO ADVISE YOU THAT WE HAVE SUCCEEDED IN STOPPING THE GROWTH IN ADMINISTRATIVE LEAD TIME THAT BOGGED DOWN OUR CONTRACTING PROCESS OVER THE PAST SEVERAL YEARS, PARTICULARLY FOR SPARE AND REPAIR PARTS. IN FY85 WE WERE ABLE TO OBLIGATE 77 PERCENT OF OUR CURRENT YEAR DOLLARS. LAST YEAR WE ACHIEVED AN OBLIGATION RATE OF 87 PERCENT. THIS IMPROVEMENT WAS DUE IN LARGE PART TO THE SUCCESS OF MEASURES TAKEN TO IMPROVE THE EFFECTIVENESS OF PROCUREMENT AND LOGISTICS PROCESSES.

FOR EXAMPLE, INITIATIVES DESIGNED TO PROMOTE MORE ECONOMIC ORDERING WERE INSTITUTIONALIZED. WE ARE NOW ROUTINELY OBTAINING COMPETITIVELY PRICED OPTIONS, PROCURING SPARE PARTS CONCURRENT WITH PRODUCTION, AND COMBINING BUY REQUIREMENTS FOR LIKE ITEMS WHENEVER POSSIBLE.

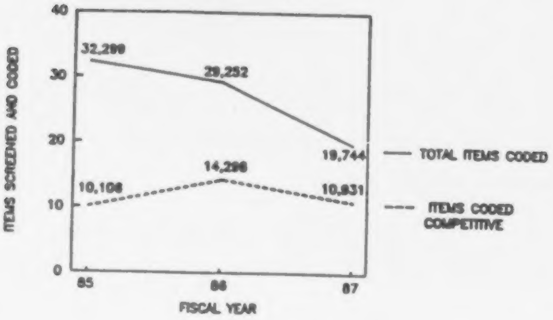
FIRST YEAR OBLIGATIONS
PA - SPARES



GOAL 100% (LESS CONTINGENCIES NTE 10%)

ADDITIONALLY, COMPETITION IN CONTRACTING HAS BEEN THE CORNERSTONE OF OUR PROGRAM TO BUY SMART. THIS PAST YEAR, AMC ACHIEVED UNPRECEDENTED SUCCESS BY COMPETING 44 PERCENT OF OUR DOLLARS, COMPARED TO 38 PERCENT IN FY86, AND 34 PERCENT IN FY85, THE INAUGURAL YEAR OF THE COMPETITION IN CONTRACTING ACT (CICA). WE ESTIMATE A SAVINGS OF 25 PERCENT COMPARED TO OTHER CONTRACTING METHODS.

A BIG PAYOFF PROGRAM IN TERMS OF ECONOMY IS BREAKOUT. THE BREAKOUT PROCESS INVOLVES GOVERNMENT ENGINEERS SCREENING TECHNICAL DATA FOR SPARE AND REPAIR PARTS WHICH HAVE HISTORICALLY BEEN PROCURED FROM CONTRACTORS OTHER THAN THE ACTUAL MANUFACTURERS OF THE PARTS. THE OBJECTIVE IS TO BUY DIRECT, CUTTING OUT THE MIDDLEMEN AND THEIR PRICE MARK-UPS AND PROCESSING COSTS. IN FY87, DATA FOR OVER 19,000 PARTS WAS SCREENED. OVER 10,000 WERE RE-CODED TO BUY COMPETITIVELY. AS A CONSEQUENCE, AMC AND THE ARMY REALIZED COST AVOIDANCE SAVINGS IN FY87 OF $153 MILLION, AND WE HAVE ACCRUED SAVINGS OF $750 MILLION SINCE THE BREAKOUT PROGRAM WAS FORMALLY INSTITUTED IN FY84. BREAKOUT PRICE REDUCTIONS HAVE AVERAGED 25 PERCENT.



BREAKOUT PROGRAM
ITEMS CODED
(ITEMS IN THOUSANDS)

ANOTHER OF OUR BREAKOUT TYPE INITIATIVES WHICH OFFER POTENTIAL FOR CONSIDERABLE COST AVOIDANCE IS REVERSE ENGINEERING. ITS PURPOSE IS TO REDUCE OUR RELIANCE ON SOLE SOURCE CONTRACTORS FOR ITEMS HISTORICALLY BOUGHT FROM COMPANIES BECAUSE OF THEIR PROPRIETARY CLAIMS. IT IS USED WHEN CONTRACTORS DO NOT FAVORABLY CONSIDER OUR REQUESTS TO VOLUNTARILY DROP THEIR PROPRIETARY RESTRICTIONS. UNDER THIS PROGRAM, THOSE ITEMS WHICH WILL YIELD THE GREATEST SAVINGS ARE IDENTIFIED FOR REVERSE ENGINEERING AND DEVELOPMENT OF A TECHNICAL DATA PACKAGE SUITABLE FOR COMPETITIVE CONTRACTING. THOUGH RELATIVELY NEW, RESULTS TO DATE INDICATE A RETURN ON INVESTMENT FOR THE FIRST YEAR BUY OF A REVERSE ENGINEERED ITEM OF 7 TO 1, AND AS MUCH AS 60 TO 1 OVER THE LIFE OF THE ITEM IN THE ARMY'S INVENTORY.

ANOTHER PROGRAM WE EFFECTIVELY USE TO CONSERVE OUR LIMITED RESOURCES IS THE AMC VALUE ENGINEERING (VE) PROGRAM WHICH SAVES US HUNDREDS OF MILLIONS OF DOLLARS EACH YEAR IN OUR PROCUREMENT ACCOUNTS. THROUGH OUR AGGRESSIVE VE PROGRAM, WE CONTINUALLY CHALLENGE BOTH OUR CONTRACTORS AND GOVERNMENT TECHNICAL PERSONNEL TO SUBMIT THEIR COST SAVING CHANGES. IN FY86 AND FY87 THE PROGRAM ACCOUNTED FOR CURRENT YEAR SAVINGS IN EXCESS OF $1 BILLION AND NEAR TERM COST AVOIDANCE OF MORE THAN $1.2 BILLION.

THE ARMY STREAMLINED ACQUISITION PROGRAM (ASAP) CONTINUES TO BE THE PRINCIPAL ACQUISITION INITIATIVE IN THE ARMY. THE ASAP APPROACH EMPHASIZES COST AVOIDANCE MEASURES AND ATTACKS THE AFFORDABILITY PROBLEM ON THREE BASIC

FRONTS, FOCUSING PRIMARILY ON TAILORING SYSTEM REQUIREMENTS, PROGRAM ACQUISITION STRATEGIES, AND BUSINESS PRACTICES TO GET MORE FOR THE ARMY AND THE TAXPAYER WITH AVAILABLE ACQUISITION DOLLARS.

READINESS AND SUPPORTABILITY BENEFITS WILL ACCRUE AS A RESULT OF SEVERAL ASAP THRUSTS. MAXIMUM USE OF NON-DEVELOPMENTAL ITEMS (NDI) ACQUISITION OF ALREADY-DEVELOPED SYSTEMS, ITEMS, AND COMPONENTS TO MEET ARMY NEEDS WILL REDUCE READINESS DEGRADATION AND SUPPORTABILITY PROBLEMS THAT TYPICALLY ACCOMPANY HIGHER RISK, NEW TECHNOLOGY DEVELOPMENT. A DEDICATED PROOF-OF-PRINCIPLE PHASE IN MOST STREAMLINED ACQUISITION STRATEGIES, WITH INCREASED EMPHASIS ON "HANDS-ON" TROOP PARTICIPATION IN THE EARLIER STAGES OF TEST AND EVALUATION, SHOULD IDENTIFY CRITICAL READINESS AND SUPPORTABILITY ISSUES BEFORE ENTERING FULL-SCALE DEVELOPMENT.

WE HAVE UNDERTAKEN OTHER SIMILAR INITIATIVES TO FURTHER IMPROVE READINESS AND SUPPORTABILITY SUCH AS PRODUCTION PROVE-OUT THROUGH HARD-TOOLED PROTOTYPES, DESIGN-TO-COST (DTC), PRE-PLANNED PRODUCT IMPROVEMENT (P3I), AND IMPROVED MATERIEL CHANGE MANAGEMENT (MCM).

THE ARMY'S MANPOWER AND PERSONNEL INTEGRATION (MANPRINT) PROGRAM IS PROGRESSING WELL. MAJOR ACHIEVEMENTS IN FY88 HAVE BEEN TRAINING AND INCREASING ARMY ACQUISITION COMMUNITY AWARENESS OF THE NEED FOR RENEWED ATTENTION TO DETAIL IN CONSIDERING THE SOLDIER AS A PART OF THE SYSTEMS WE ARE ACQUIRING. WE HAVE EXPERIENCED FAR TOO MANY PROBLEMS WHERE EQUIPMENT WAS DESIGNED WITHOUT ADEQUATE CONSIDERATION OF THE HUMAN ELEMENT. IN MANPRINT, THE SOLDIER IS RECEIVING AS MUCH ATTENTION FOR HIS READINESS AND SUPPORTABILITY ROLE AS A SYSTEM MAINTAINER AS IS GIVEN TO HIS ROLE AS A SYSTEM OPERATOR. I THINK WE HAVE FINALLY CLEARED A MAJOR HURDLE BY SENSITIZING INDUSTRY TO THE IMPORTANCE OF MANPRINT IN OUR SOURCE SELECTIONS.

AN INITIATIVE WITH GREAT POTENTIAL FOR READINESS AND SUPPORTABILITY IMPACTS IS DESIGN-FOR-DISCARD (DFD) IN LIEU OF REPAIR. THE DFD IS A SYSTEMS ENGINEERING EFFORT TO REDUCE THE OVERHEAD EXPENSE, ESPECIALLY MILITARY MANPOWER, REQUIRED TO MAINTAIN EQUIPMENT. WHILE AT SOME PART OR COMPONENT

LEVEL AND SOME ORGANIZATIONAL LEVEL ALL MATERIEL IS DISCARDED, THE DFD INITIATIVE SEEKS TO RAISE THE COMPONENT LEVEL FOR DISCARD AND LOWER THE ORGANIZATIONAL LEVEL FOR DISCARD. IT BECOMES AN ATTRACTIVE ALTERNATIVE BECAUSE THE COST OF TRAINING TO FAULT ISOLATE AND REPAIR, AS WELL AS LABOR COSTS, ARE VERY HIGH WHEN COMPARED TO AUTOMATED PRODUCTION COSTS. IN ADDITION, PREDICTIONS OF THE PACE AND INTENSITY OF FUTURE COMBAT ARE NOT EXPECTED TO PERMIT EITHER THE SECURITY FOR REPAIR IN THE COMBAT ZONE OR THE TIME FOR ROUNDTRIP SHIPMENT TO A DISTANT REPAIR FACILITY.

WE HAVE LAGGED BEHIND IN MAXIMIZING THE PRODUCTIVITY AND EFFICIENCY GAINS AVAILABLE THROUGH PROVEN STATE-OF-THE-ART AUTOMATION. WE HAVE UNDERTAKEN AN AGGRESSIVE PROGRAM OF AUTOMATION INITIATIVES, MOST OF WHICH ARE DIRECTLY RELATED TO LOGISTICS SUPPORT. SOME OF THESE INITIATIVES ARE IN PROCUREMENT, TECHNICAL DATA, WEAPON SYSTEMS SUPPORT, AND ACQUISITION MANAGEMENT. OTHERS ARE HARDWARE ACQUISITION TO INCREASE THE COMPUTING CAPABILITIES WITHIN AMC. WE RECOGNIZED THE NEED TO INTENSIVELY MANAGE THESE INITIATIVES AND HAVE TAKEN STEPS TO INTEGRATE THE FUNCTIONAL AUTOMATION MANAGEMENT, AS WELL AS THE RESOURCE MANAGEMENT ASPECTS, WITH THE OBJECTIVE OF IMPROVING THE UTILITY OF LOGISTICS SYSTEMS AUTOMATION.

I PREVIOUSLY DISCUSSED THE CRITICALITY OF THE AMC LOGISTICS INFRASTRUCTURE AND THE IMPORTANCE OF OUR SUPPLY PERFORMANCE TO OUR ARMY'S COMBAT READINESS POSTURE. THE INDICATED MANAGEMENT IMPROVEMENT INITIATIVES TAKE ON A GREATER SIGNIFICANCE WHEN VIEWED FROM THE PERSPECTIVE THAT AMC FILLED OVER 5.6 MILLION REQUISITIONS IN FY87 FOR DOD AND OTHER CUSTOMERS. WHILE THIS IS IMPRESSIVE, WORKLOAD CAN BE EXPECTED TO INCREASE ANNUALLY WITH THE AGING OF THE NEW EQUIPMENT FIELDED THROUGH FORCE MODERNIZATION, THE WIDER RANGE OF WEAPON SYSTEMS IN THE HANDS OF OUR SOLDIERS, AND THE TRAINING REQUIRED TO MAINTAIN INDIVIDUAL AND UNIT PROFICIENCY.

WE ALSO HAVE TAKEN MEASURES TO IMPROVE OUR MANAGEMENT OF MATERIEL ACCOUNTABILITY. INVENTORY CONTROL HAS BEEN IMPROVED, INCREASED SECURITY SYSTEMS AND PROCEDURES HAVE BEEN PUT IN PLACE, AND TIGHTER CONTROLS HAVE BEEN PLACED ON MOVEMENT OF SUPPLIES. THE EUROPEAN REDISTRIBUTION FACILITIES (ERF), ESTABLISHED IN FY87, HAVE PROVEN THEMSELVES VALUABLE IN FACILITATING THE REDISTRIBUTION OF ASSETS FOR ARMY UNITS IN EUROPE. THEY ALSO HAVE BEEN VALUABLE IN ASSISTING US TO IDENTIFY AND PURGE EUROPE OF ASSETS THAT HAVE ACCUMULATED AND ARE NO LONGER REQUIRED. WE WILL CONTINUE TO DO ALL WE CAN AS RESPONSIBLE STEWARDS OF FUNDS ENTRUSTED TO OUR CARE FOR DEFENSE TO GET THE MOST FOR OUR INVESTMENT DOLLARS, AND TO PROVIDE QUALITY LOGISTICS SUPPORT.

INDUSTRIAL BASE

AMC IS A UNIQUE ORGANIZATION IN THAT IT PERFORMS THE SAME MISSIONS IN PEACETIME THAT IT WILL UNDER WARTIME OR MOBILIZATION CONDITIONS. AMC WILL STAY IN PLACE, AND THE FACILITIES AVAILABLE TO SUPPORT AMC'S MISSION NOW WILL BE THE FOUNDATION UPON WHICH THE NATION'S MILITARY SERVICES AND OUR ALLIES WILL RELY UNTIL INDUSTRY CAN TRANSITION TO A MILITARY SUPPORT PRODUCTION POSTURE. HOWEVER, SHOULD MOBILIZATION OCCUR, I AM NOT COMFORTED BY THE REALIZATION THAT THE SOLDIERS WE DEPLOY TOMORROW WOULD RELY HEAVILY ON THE SAME FACILITIES THAT SUPPORTED OUR FATHERS DURING WORLD WAR II.

WE HAVE, OVER THE PAST SEVERAL YEARS, WITH SIGNIFICANT SUPPORT AND INTEREST FROM THE CONGRESS, MADE SUBSTANTIAL PROGRESS IN UPGRADING THE ARMY'S INDUSTRIAL SUPPORT BASE: OUR ARSENALS AND PRODUCTION PLANTS, DEPOTS, LABORATORIES, AND PROVING GROUNDS THAT PROVIDE BACK-UP TO OUR SOLDIERS. AMC HAS A NUMBER OF PROJECTS DIRECTED AT "INDUSTRIAL CHOKE POINTS" -- WHERE THE MINIMAL FACILITIES AND EQUIPMENT DOLLARS AVAILABLE TO US WILL PROVIDE MAXIMUM RETURN IN TERMS OF ENHANCED PRODUCTIVITY, EFFICIENCY, ECONOMY, AND IMPROVED READINESS OF THE FORCES.

YOU ARE FAMILIAR WITH MANY OF OUR HIGH VISIBILITY PROJECTS. FOR EXAMPLE, THE REARM PROJECTS MODERNIZED THE LARGE-CALIBER GUN TUBE FACILITIES AT WATERVLIET ARSENAL IN NEW YORK, AND THE LARGE-CALIBER GUN MOUNT/RECOIL MECHANISM FACILITIES AT ROCK ISLAND ARSENAL IN ILLINOIS. REARM IS IMPROVING WEAPONS QUALITY BY APPLYING NEW TECHNOLOGIES, STATE-OF-THE-ART PRODUCTION AND TEST EQUIPMENT, AND IMPROVED WORKFLOW. IT ALSO DRAMATICALLY IMPROVES OUR ABILITY TO QUICKLY RESPOND TO SURGE AND MOBILIZATION REQUIREMENTS FOR LARGE-

CALIBER ARTILLERY. SIMILARLY, THE PRODUCTION OF RDX EXPLOSIVE FILLER FOR PROJECTILES WILL BE ENHANCED BY FY88 FUNDING FOR NEW PRODUCTION FACILITIES AT LOUISIANA ARMY AMMUNITION PLANT, JUST AS THE PROVISION OF AUTOMATED TNT FILLER AND PROPELLANT LINES IN THE EARLY 1980's SIGNIFICANTLY IMPROVED PRODUCTION IN THOSE COMMODITIES.

THE OUTMODED AND OBSOLETE RDTE LABORATORIES OF THE ARMY MISSILE COMMAND AT REDSTONE ARSENAL, ALABAMA, HAVE BEEN STEADILY REPLACED. WE ARE ALSO UPGRADING THE CHEMICAL TESTING FACILITIES AT DUGWAY PROVING GROUND WHICH ARE ESSENTIAL TO THE CHEMICAL DEFENSIVE MATERIALS PROGRAM.

THESE INITIATIVES HAVE BEEN DIRECTED AT PORTIONS OF OUR FACILITIES MODERNIZATION REQUIREMENTS. IN MANY OF OUR OPERATIONS, HOWEVER, WE HAVE GONE BEYOND THE POINT AT WHICH THE PRIVATE SECTOR WOULD HAVE REPLACED FACILITIES AND EQUIPMENT AS THE MOST PRUDENT ALTERNATIVE.

AMC, AS THE ARMY'S INDUSTRIAL SUPPORT BASE, IS A BIG BUSINESS. WE ARE COMPARED AGAINST COMMERCIAL STANDARDS BY THE PACKARD REPORT, AND MANY OF OUR INVESTMENT STRATEGIES AND DECISIONS ARE COMMERCIAL DECISIONS BASED ON SOUND BUSINESS PRINCIPLES. ACCORDINGLY, WE HAVE GONE TO THE PRIVATE SECTOR FOR SUPPORT IN VALIDATING, QUANTIFYING, AND PACKAGING OUR NEEDS, AND DEVELOPING A RATIONAL PROGRAM FOR THE FUTURE.

THE FIRST OF THESE STUDIES INVOLVES REVITALIZATION OF THE ARMY DEPOTS BY THE YEAR 2000 (READY 2000). THIS CONTRACTUAL EFFORT SHOULD DEFINE THE SUPPLY AND MAINTENANCE FACILITIES NECESSARY TO SUPPORT THE HIGH-TECHNOLOGY EQUIPMENT WE ARE NOW FIELDING. UNDER THIS EFFORT, THE 18 DEPOTS AND DEPOT ACTIVITIES IN CONUS, WITH SOME EQUIPMENT AND FACILITIES DATING TO WORLD WAR II, WILL UNDERGO A THOROUGH MODERNIZATION AND UPGRADE, USING AUTOMATION AND HIGH-PRODUCTIVITY TECHNOLOGY TO MATCH CAPABILITIES WITH ASSIGNED MISSIONS.

THE COMPREHENSIVE STRATEGIC ASSESSMENT BEING UNDERTAKEN IN READY 2000 IS THE WAVE OF THE FUTURE. IT WILL DEFINE HOW WE MUST AND WILL WORK IN AN ERA OF MANPOWER AND FISCAL CONSTRAINTS. AS READY 2000 PROGRESSES, IT IS ANTICIPATED THAT SIMILAR PROGRAMS COVERING OTHER FUNCTIONAL AREAS SUCH AS OUR

LABORATORY FACILITIES WILL BE DEVELOPED AND IMPLEMENTED.

THE DISTRIBUTION CENTERS BEING CONSTRUCTED AT THE THREE AREA-ORIENTED DEPOTS (AOD) ARE EXCELLENT EXAMPLES OF BOTH THE PROBLEMS OF THE DEPOTS AND THE MAGNITUDE AND COMPLEXITY OF THE SOLUTION. CURRENT FACILITIES AT ALL AODs ARE OPERATING TWO OR THREE SHIFTS TO ACCOMPLISH THEIR MISSION--THE DISTRIBUTION OF 92 PERCENT OF ALL SUPPLIES SHIPPED BY THE ARMY. BY 1990, AODs WILL BE OPERATING NEAR FULL CAPACITY LEVELS, LEAVING LITTLE CAPACITY FOR EMERGENCY SURGES OR MOBILIZATION. CONSTRUCTION OF THE STATE-OF-THE-ART DISTRIBUTION CENTERS, AS STARTED UNDER THE FY85 MILCON APPROPRIATIONS ACT, WILL ALLOW THE AODs TO ACCOMPLISH THEIR PEACETIME WORKLOAD ON A SINGLE 8-HOUR, 5-DAY SHIFT BY CONSOLIDATING FRAGMENTED WORKLOADS INTO AN AUTOMATED CONTROLLED AREA. ANNUAL SAVINGS ARE ESTIMATED TO TOTAL $65 MILLION.

THE MCA PROGRAM APPROVED FOR FY88 PROVIDED AMC WITH 29 PROJECTS TOTALING $154 MILLION -- SOME 13 PERCENT OF THE TOTAL ARMY PACKAGE. THIS IS SLIGHTLY MORE THAN THE 8 TO 10 PERCENT THAT AMC HAS HISTORICALLY RECEIVED. HOWEVER, ONLY 21 OF AMC'S 66 INSTALLATIONS AND ACTIVITIES THAT RELY ON MCA FOR FACILITIES FUNDING RECEIVED SUPPORT IN FY88.

THE FY88 PROCUREMENT-FUNDED CONSTRUCTION PROGRAM FOR THE AMMUNITION PRODUCTION BASE WAS $428 MILLION, THE MAJORITY OF WHICH ($263 MILLION) WAS EARMARKED FOR THE LOUISIANA ARMY AMMUNITION PLANT NEW RDX PRODUCTION AND SUPPORT FACILITIES. REMAINING EXPENDITURES PRIMARILY SUPPORTED EXPANSION OF M864 EXTENDED RANGE IMPROVED CONVENTIONAL MUNITIONS AND PROJECTS TO CORRECT SAFETY, SECURITY, AND ENVIRONMENTAL DEFICIENCIES AT OTHER PLANTS.

THERE IS NO LACK OF CONSTRUCTION REQUIREMENTS AT EITHER PROCUREMENT-FUNDED AMMUNITION PLANTS OR AT MCA-FUNDED INSTALLATIONS; ONLY A LACK OF FUNDING TO ACCOMPLISH THEM.

THE MCA PROGRAM PRESENTED IN THE FY89 BUDGET LOOKS PROMISING ON THE SURFACE. AT $173.9 MILLION, IT REPRESENTS 15 PERCENT OF THE ARMY'S TOTAL $1.1 BILLION MCA PROGRAM. WHILE THIS IS AN INCREASE, A LARGE PORTION OF THE INCREASE IS RELATED TO TWO PROJECTS OF THE CHEMICAL SUPPORT MUNITIONS

DEMILITARIZATION PROGRAM. THESE ARE CLEANUP EFFORTS THAT DO NOT CONTRIBUTE TO OUR ABILITY TO SUPPORT THE SOLDIER. ALSO, $22 MILLION IS FOR SECURITY OF CHEMICAL STORAGE SITES DURING THE INTERIM PERIOD (FIVE YEARS OR MORE) UNTIL CURRENT STOCKS CAN BE DESTROYED.

FY89 PROCUREMENT-FUNDED CONSTRUCTION FOR THE AMMUNITION PRODUCTION BASE REFLECTED A DECREASE TO $208 MILLION TO ALIGN WITH REDUCED AMMUNITION PROCUREMENT PROGRAMS.

WE HAVE MADE SUBSTANTIAL STRIDES IN OUR UPKEEP OF FACILITIES; HOWEVER, OMA FUNDS FOR THE REAL PROPERTY MAINTENANCE ACCOUNT (RPMA) IN FY88 FALL 39 PERCENT BELOW MINIMAL REQUIREMENTS AND ARE A MATTER OF GRAVE CONCERN. FY89 SHOWS A FURTHER DECLINE TO 42 PERCENT BELOW PRUDENT MINIMAL LEVELS. IT APPEARS OUR INSTALLATIONS WILL BE HARD PRESSED TO PROVIDE NECESSARY UTILITY SERVICES FOR INSTALLATION CUSTOMERS AND FOR MISSION REQUIREMENTS.

IN ADDITION, THERE ARE NO FUNDS AVAILABLE FOR REDUCTION OF THE EXISTING BACKLOG OF MAINTENANCE AND REPAIR (BMAR) PROJECTS. IN FACT, THE SHORTAGE OF MAINTENANCE AND REPAIR FUNDS SHOULD SEE OVERALL AMC BMAR REVERSE FROM A CONTROLLED REDUCTION TO RISE TOWARDS $1 BILLION BY 1994, CONSIDERING ALL SIX BMAR ACCOUNTS, UNLESS RESOURCING IS MADE AVAILABLE.

ON A POSITIVE NOTE, I AM PLEASED TO REPORT THAT THE ARMY'S COMMITMENT TO IMPROVING THE QUALITY OF LIFE FOR OUR MILITARY FAMILIES HAS SERVED TO VIRTUALLY ELIMINATE OUR SHORTFALL IN NUMBERS OF QUARTERS REQUIRED. WE ARE CONCERNED, HOWEVER, THAT FUNDING TO SUPPORT AN ONGOING UPGRADE PROGRAM FOR OUR OLDER QUARTERS HAS SLIPPED 75 PERCENT BELOW PRUDENT LEVELS. WITHOUT CONTINUOUS SUPPORT TO IMPROVE EXISTING ASSETS, WE WILL SOON SEE OUR FACILITIES FALL BELOW THE ACCEPTABLE STANDARDS WE HAVE BEEN WORKING TOWARD.

WE HAVE MADE, AND ARE MAKING, CONCERTED EFFORTS TO DEVELOP INNOVATIVE FUNDING SOURCES TO HELP OURSELVES. ONLY THIS MONTH, THE ARMY'S FIRST PRIVATELY-FUNDED CONTRACT STEAM PLANT WAS FORMALLY OPENED AT ABERDEEN PROVING GROUND (APG). THIS FACILITY, IN A CONTRACT DEVELOPED BY APG UNDER PROVISIONS OF 10 USC, SECTION 2394, WAS BUILT IN CLOSE COORDINATION BETWEEN THE ARMY, A

STATE OF MARYLAND AGENCY, AND HARFORD COUNTY, MD. IT WAS BUILT AND IS OPERATED ON LEASED ARMY LAND BY A PRIVATE CONTRACTOR WHO ACCEPTS APG AND HARFORD COUNTY MUNICIPAL REFUSE FOR A PER-TON TIPPING FEE AND BURNS THE REFUSE TO GENERATE STEAM. APG BUYS THE STEAM WITH DOLLAR AND FUEL-OIL SAVINGS AND, IN TURN, FURNISHES THE PLANT WITH WATER AND SEWAGE SUPPORT FROM EXISTING AVAILABLE UTILITIES. WE ALREADY HAVE ANOTHER SUCH CONTRACT BETWEEN REDSTONE ARSENAL AND THE CITY OF HUNTSVILLE, AL. WE ARE PLANNING TO DEVELOP AND IMPLEMENT OTHER CONTRACTS TO PROVIDE PRIVATELY-FUNDED FACILITIES AND SERVICES. THERE ARE ONLY LIMITED AREAS WHERE SUCH FACILITIES INITIATIVES WILL WORK, HOWEVER, SO THEY PROVIDE ONLY "A" SOLUTION ON A CASE-BY-CASE BASIS, NOT "THE" SOLUTION TO ALL OUR NEEDS.

WE ARE OPERATING AN AGED INDUSTRIAL COMPLEX AND HAVE ONLY SCRATCHED THE SURFACE OF MODERNIZATION. WE ARE CONTINUALLY REFINING OUR PROGRAM TO MODERNIZE ALONG REALISTIC PATHS TO ATTAIN A RESPONSIVE LEVEL OF CAPABILITY, BUT WE WILL NEED YOUR HELP. OUR SOLDIERS DESERVE NO LESS.

CONCLUSION

IN CONCLUSION, READINESS AND SUSTAINABILITY HAVE BEEN, AND WILL REMAIN, PARAMOUNT IN OUR CONSIDERATION AND DELIBERATION OF THE CHALLENGES WE FACE IN THE FUTURE. WE HAVE MADE CONSIDERABLE PROGRESS IN SHORING UP THE MATERIEL, TRAINING, AND PERSONNEL SHORTFALLS THAT PLAGUED OUR ARMY AT THE TURN OF THE DECADE.

WE ARE PREPARED TO TAKE WHATEVER STEPS MAY BE NECESSARY TO MAINTAIN THE HIGH STATE OF INDIVIDUAL, COLLECTIVE, AND MATERIEL READINESS WE HAVE ATTAINED. THE COLLECTIVE SUPPORT OF YOUR COMMITTEE IN DEALING WITH THE FISCAL CONCERNS I OUTLINED IS VITAL TO CONTINUE THE PROGRESS WE HAVE ACHIEVED. WE CAN ILL AFFORD THE PRICE IN READINESS AND SOLDIER MORALE, OF REGRESSING TO THE CONDITIONS OF A DECADE AGO.

WE MUST CONTINUE TO PRESS FORWARD, AND CARRY OUR MODERNIZATION PROGRAM TO A SUCCESSFUL CONCLUSION. MID-POINT DETOURS CAN ONLY SERVE TO COMPOUND OUR

READINESS AND SUPPORT PROBLEMS, AND INCREASE THE COSTS TO ACHIEVE OUR ULTIMATE MODERNIZATION REQUIREMENTS.

I HAVE OUTLINED FOR YOU SOME OF THE THRUSTS WE HAVE UNDERTAKEN, ADMITTEDLY, IN VARIOUS PHASES OF DEVELOPMENT, IMPLEMENTATION, AND MATURITY, TO IMPROVE OUR LOGISTIC SUPPORT CAPABILITY. THERE IS NO QUESTION THAT WE ARE BEHIND IN SOME AREAS IN CAPITALIZING ON MANY PROVEN PROGRAM MANAGEMENT CONCEPTS AND TECHNOLOGIES. WE RECOGNIZE THAT WE MUST CATCH UP AND KEEP UP TO PROVIDE THE BEST SOLDIERS IN OUR ARMY'S HISTORY WITH THE QUALITY SUPPORT AND SERVICES THEY NEED, DESERVE, AND HAVE A RIGHT TO EXPECT.

GENTLEMEN, THIS CONCLUDES MY PREPARED REMARKS. I THANK YOU FOR YOUR ATTENTION. I AM PREPARED TO ANSWER YOUR QUESTIONS.

Senator DIXON. I thank you, General Wagner. Does my distinguished friend from South Carolina have a statement that he would like to make before we proceed with the witnesses?

Senator THURMOND. No thank you, Mr. Chairman.

Senator DIXON. All right. We will get to the questioning very shortly, and we are delighted to have Senator Strom Thurmond here at the subcommittee meeting and I am delighted to recognize Gen. Alfred G. Hansen, the Commander of the Air Force Logistics Command.

STATEMENT OF GEN. ALFRED G. HANSEN, COMMANDER, AIR FORCE LOGISTICS COMMAND

General HANSEN. Thank you very much, Mr. Chairman. I, like General Wagner, am testifying my fourth time in front of the committee. I had a 2-year reprieve when I went to serve on the Joint Chiefs of Staff, and this is my first time back in about 3 years.

Many of the things that General Wagner says have impacts on his depots naturally impact on the Air Force also. In accordance with your desires, I will just briefly summarize, and I do have some charts also, that I think will graphically show the status of the Air Force, both today and in the future.

First of all I would like to say that in my opinion the fiscal year 1989 President's budget does provide a positive step in recovering from the reductions that I have seen in 1988, especially in the O&M accounts.

We have placed financial priority on all of our readiness accounts, and the Air Force, in my opinion, will be able to react, if called upon, to various contingencies. But strictly from a readiness standpoint. I make a distinction between readiness and sustainability. Of course, the problem that we are faced with now is not so much readiness, in getting the airplanes ready to go, it is the state of them once you enter into combat.

I would like to say our 1988 mission capability rates are the highest they have ever been. And that is once again because we are living off the great period of funding, especially in the Air Force in 1985, when all logistics accounts in the Air Force were funded at 100 percent. That was the first time, and I doubt that we will ever see anything like it again.

But now we are faced with sliding mission capability rates. We are seeing our cannibalizations going up. But as we go through this year, even with the increases, we are hoping that we will be able to keep them within acceptable limits.

The one thing I have found is that we do have great people. And people are always willing to do work around, and go that extra mile. So in effect, it will be masked slightly, but in the out years it will become more evident as we press along.

We have still got great people, Mr. Chairman. That is the one thing that is very, very heartening. And wherever I go those people are working hard and proud to be in the Air Force. Although I must say that I am starting to see some frustrations as I go out, as they feel they are being denied the wherewithall to do their job. And, of course, that is the same indication that we also had during the 1970's, when I saw great frustration among people who wanted to do the job, but did not have the tools, the tech data and the spare parts to go ahead and keep the airplanes flying.

I guess what troubles me most is that, as I just said, while we have good readiness at this time, we are losing ground in all areas of sustainability. And, of course, that is what is required in any conflict that we may have.

Our aircraft spares budget for example was reduced severely in last year's budget cycle. We are not planning for the United States Air Force to recover from those cuts in this present year. Of course, this is a conscious decision made based on decreasing TOA and it just reflects that there is not enough money to buy both readiness and sustainability.

I believe that Congress gave us a clear signal last year that they are not willing to fund sustainability, and the Air Force carried that through into the 1989 budget. As you are aware, last year Congress cut the nearly $600 million from the Air Force spares program and deleted all of the war time readiness spares that we had requested at that time.

The consequences of those cuts and decisions will be with us a long time. As I will show you, it will be virtually impossible for me to recover from the maintenance and repair backlogs until about 1994. Basically, as I look into the future, I portray the United States Air Force as a peace time Air Force, as opposed to a war fighting Air Force with the capability to sustain itself.

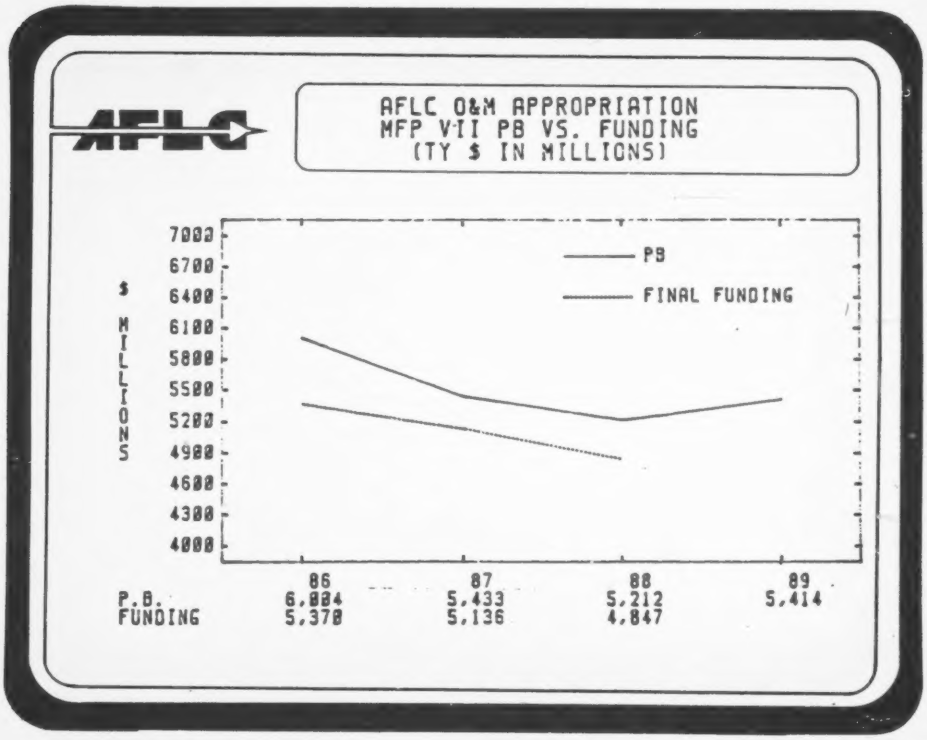
Within our Major Force Program 7, which is our O&M budget, we are planning a solid recovery. But my concern is that the recovery is higher than 2 percent. It reflects an Air Force commitment to readiness. It may be cut as the budget proceeds through Congress. If that happens, our backlogs will continue to exceed those that are, at this time, higher than they have ever been.

We are projecting at the end of 1989 a billion and a half dollars of backlog in our depots. I must say that from my logistic standpoint, I am very satisified with the 1989 request the Air Force has put together. The Air Force has recognized the logistics requirements and readiness. We have made an initial effort to go ahead and start reducing our backlog, but because of actual physical plant constraints, we will only be able to nibble away at that over the next few years. It is virtually impossible, even if you gave me all of the money that was needed, for me to actually eliminate the entire backlog we are building.

In our civilian pay account we have gone through tremendous turmoil. Because of the potential furloughs, the work force right now is as unstable as I have seen. They do not know from day to day whether they will have a job. I most assuredly have a funding problem as I sit here right now. I am $93 million short in civilian pay and I just have no way to fix it within my own capabilities. And, we are hoping that the Air Force, as we proceed down toward the end of the year, some fall out money will have become available from some other programs.

The one thing that I am concerned about is the fluctuation of funding from year-to-year in our civilian pay. If we do anything, I think we have got to stabilize our civilian work force pay so that they know from year to year exactly whether they have a job or not.

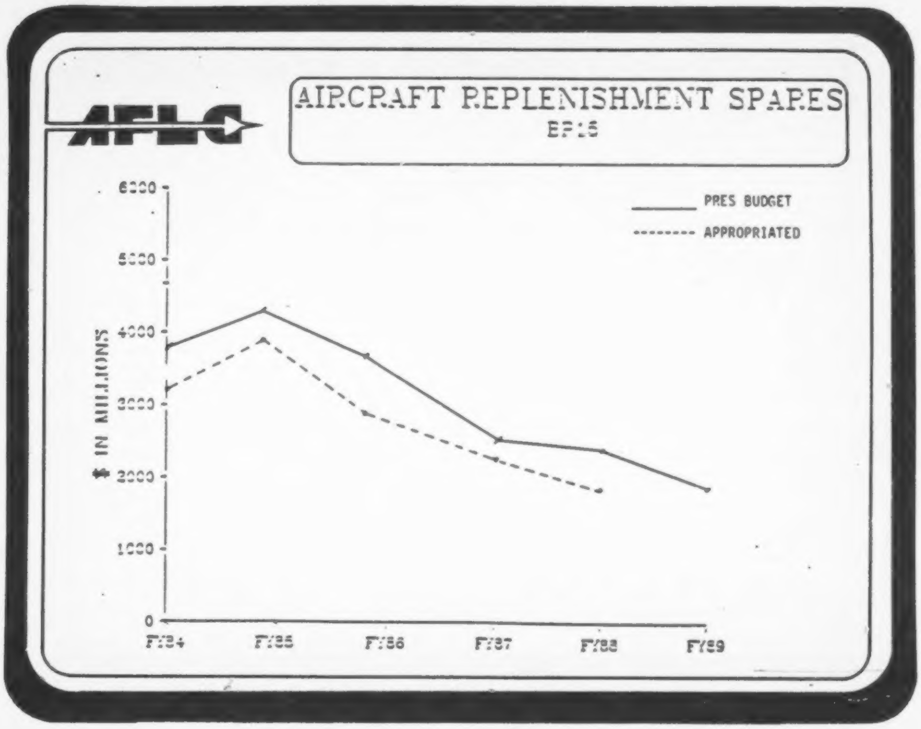
These slides will show that in the last 2 years I will have reduced 12,000 civilian positions. I would like to go through a few of the slides right now.



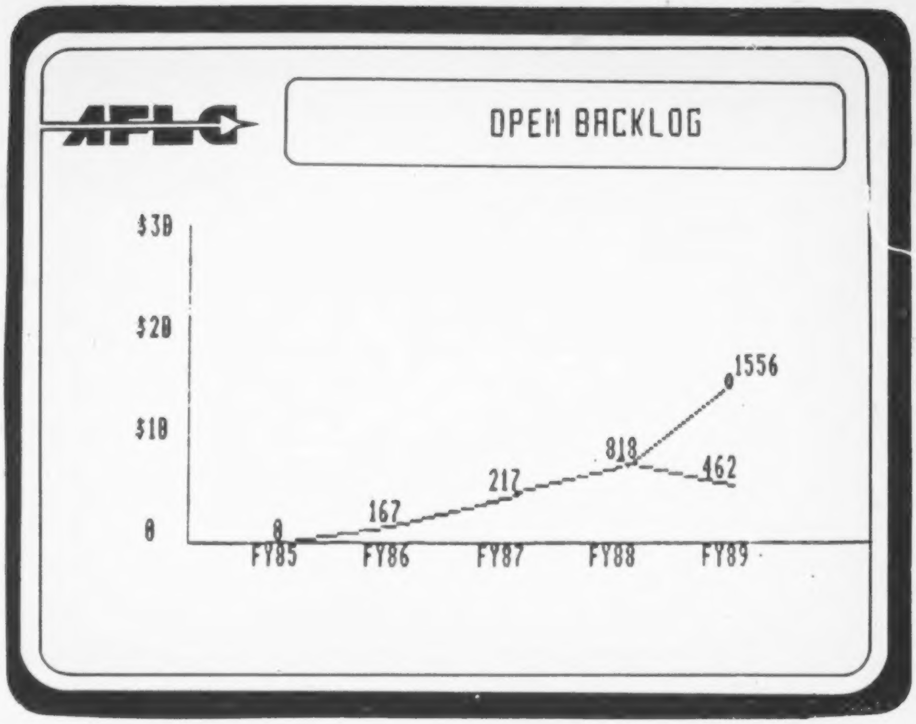
AFLC O&M APPROPRIATION
MFP V-II PB VS. FUNDING
(TY $ IN MILLIONS)

	86	87	88	89
P.B.	6,004	5,433	5,212	5,414
FUNDING	5,370	5,136	4,847	

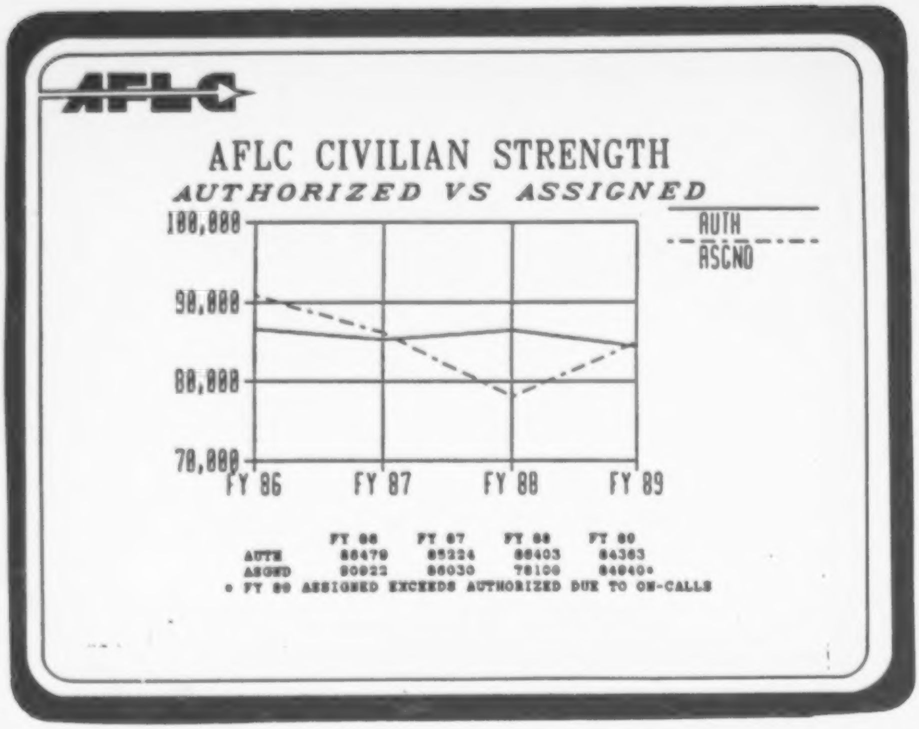
The first chart simply shows the decline in our O&M appropriations since 1986. I would like to also point out that the 1988 appropriation was a billion dollars less than in 1985. And, you can see, there is some recovery planned in 1989. That will take care of the increase in civilian work force that I need.



This one shows the decline in spares, and the only thing that I would like to point out there is that it's on the slippery slope. It is down, down, down. And somewhere it will have to hit the bottom and start to reverse itself.



This is the horror story I am faced with. This is the depot backlog. You can see in 1989 the top number there is $1.5 billion and the bottom number is $462 million. That reflects the physical limitations I have. I cannot work that other billion dollars. It is beyond the physical capability of my depots to work more than the $462 million reflected there. Although, in the future, as I start to gear up, (and you just cannot bounce these manufacturing plants up and down all the time, you have to plan ahead), I can work more than $462 million. But we must plan. If we do not plan ahead, we will end up with the most horrible productivity and efficiency rates. So you plan to level out in the 1994. On the plan I am on now, I will eliminate the backlog in the United States Air Force.



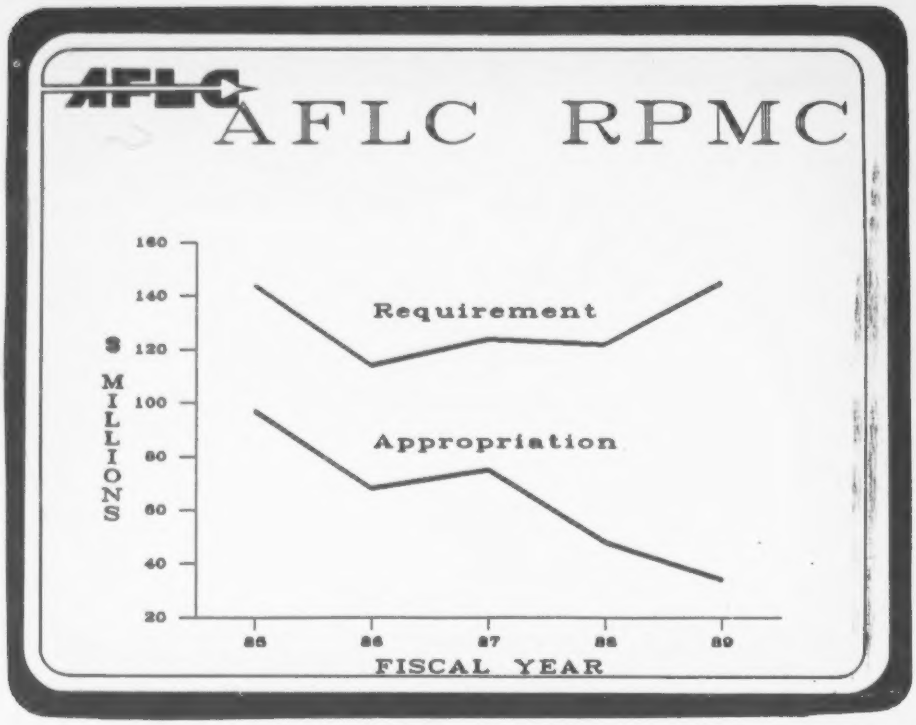
AFLC CIVILIAN STRENGTH
AUTHORIZED VS ASSIGNED

	FY 86	FY 87	FY 88	FY 89
AUTH	86479	85224	86403	84363
ASGND	90922	86030	78100	84840*

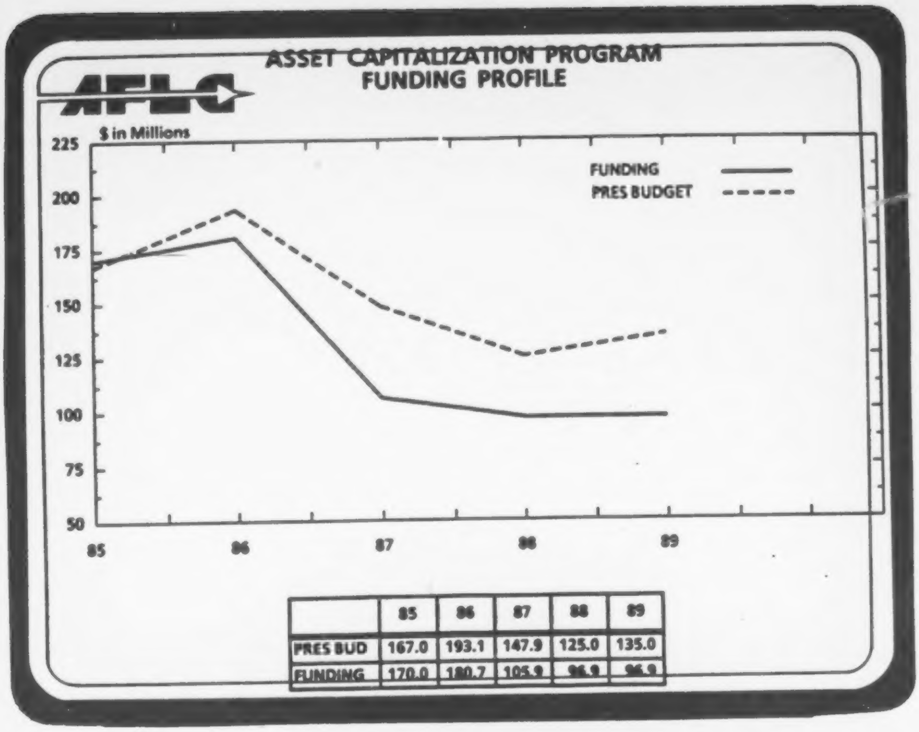
* FY 89 ASSIGNED EXCEEDS AUTHORIZED DUE TO ON-CALLS

This slide simply shows that I will have lost 12,000 civilians since 1987. And it has been a most traumatic time throughout all of the Air Force Logistics Command in adapting to that. I am presently sitting at about 90 percent manning. I do have a recovery plan for that in the 1989 budget that will take me up to 98 percent.

Next slide.



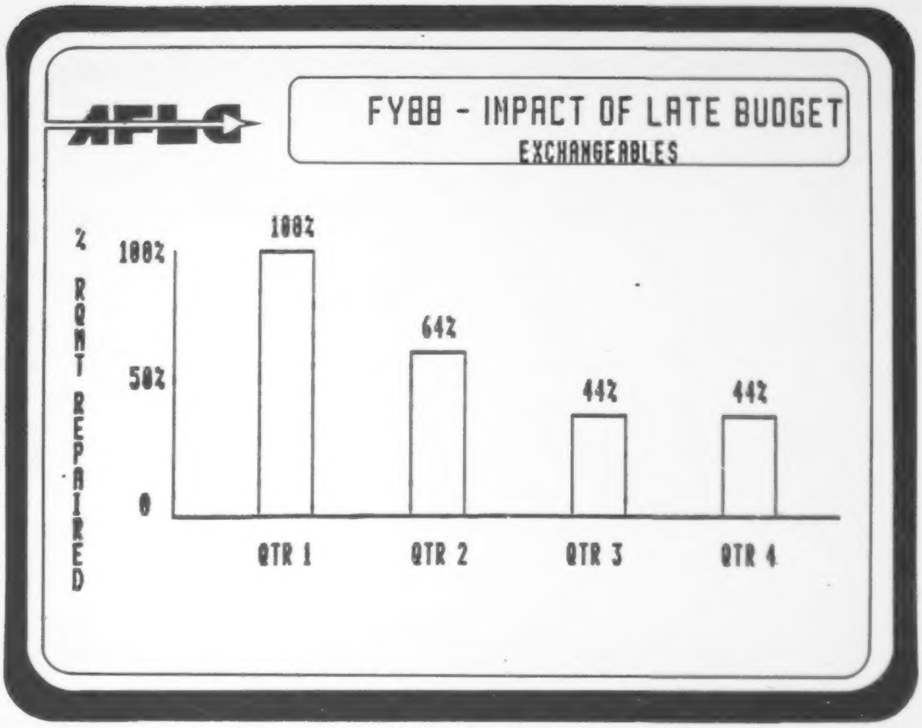
And of course our Real Property Maintenance, as General Wagner said, our physical plants are very important to us. This is a bad trend also in that the BMAR is increasing and we are presently up to about $70 million in AFLC. Next slide.



ASSET CAPITALIZATION PROGRAM
FUNDING PROFILE

	85	86	87	88	89
PRES BUD	167.0	193.1	147.9	125.0	135.0
FUNDING	170.0	180.7	105.9	96.9	96.9

This Asset Capitalization Program is a small program. It is only about $96 million for the Air Force. What this does is modernize the plant equipment that we have. It is not a direct appropriation. We assess our customers as we do work for them. And of course their benefit is in the out years. With new equipment, we increase our productivity and our efficiency, and we reduce our rates. And so the user in the long run is a winner. As a result of this Asset Capitalization Program, and, once again I am terribly concerned that we are allowing the modernization of our plants to go down. And this is rock bottom funding we are asking for this year. Next slide.



I thought it might be useful to show you the results of the late budget, at least my experience over this past year on what has happened as a result of receiving the budget so late in the year. As a matter of fact, it was passed on the 22nd of December and the Air Force finally got my budget to me about the end of January.

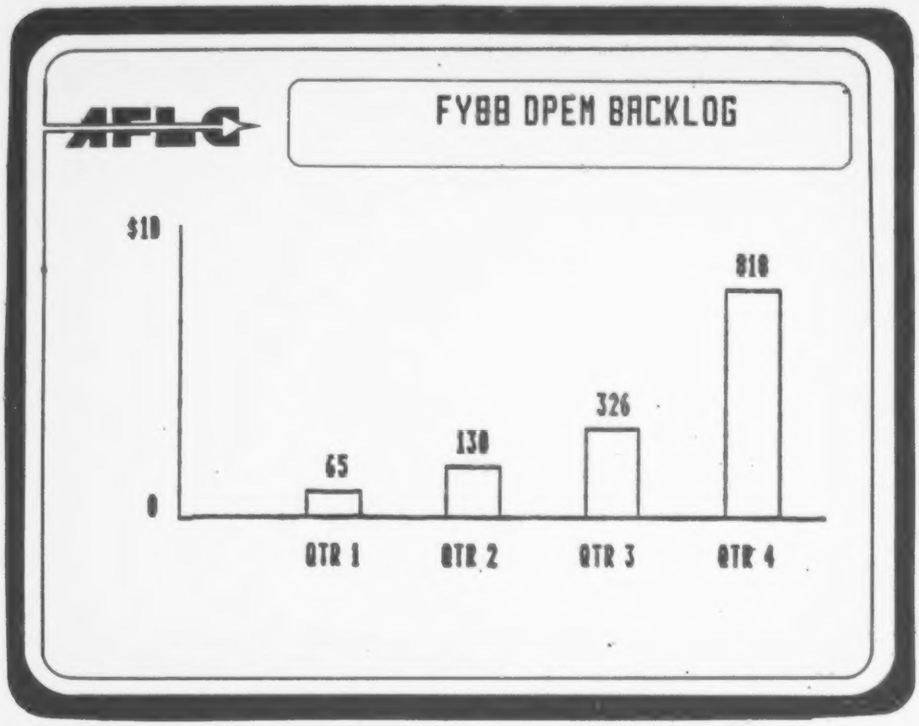
In the manufacturing process you have to plan ahead. And I plan by quarters. Last August when I started to make my decisions for the first quarter of 1988, I based it on my best estimate of what was going to come out of the appropriations bill. And I thought funding looked pretty good at that time. So I planned 100 percent work in the first quarter, as reflected on the chart.

As we went into November and I started planning my second quarter, I became concerned about the funding. And then I dropped my workload to 62 percent. Well, during the second quarter, the budget was passed. I found out that I had overestimated my own O&M account by $400 million. As a result of that, the work that I will be doing is 44 percent in the third and fourth quarters.

Basically, what that means is for every ten parts that come into my depots, I will only repair four. I will take six of them and put them on the shelves in the same boxes they came in unrepaired, and they will become part of my depot backlog that I showed you on the last chart.

Late budgets are absolutely traumatic experiences when you are trying to workload depots that have got 28,000 people in them. And once you make your decisions, even though it may not be perfectly correct, it is always better to stick with it rather than pull it back and then have the turmoil out in the work force once again.

I was a victim of that this time, and a couple of the decisions I made, perhaps had I known exactly what I was going to have, I would have done a little differently. But I stuck with them to minimize the amount of turmoil on the work force. Next slide.



FY88 OPEN BACKLOG

And this last slide just shows the impact of not funding those spare parts. We will end up at the end of 1988 with $818 million worth of backlog. And I would like to also say there have been questions about the credibility of the Air Force's backlog. In the first quarter of this year we began a physical count of our backlog. We are physically counting the backlog now. So when we end up this year, we will know exactly where we are as far as backlog is concerned.

I would just like to say that I appreciate the support that this committee has given us over the years, and we all have most assuredly a tough task in front of us if we are going to keep the sustainability of all our services heading down the right road.

Thank you very much, Mr. Chairman.

[The prepared statement of General Hansen follows:]

TESTIMONY OF
GENERAL ALFRED G. HANSEN
COMMANDER, AIR FORCE LOGISTICS COMMAND
WRIGHT-PATTERSON AIR FORCE BASE, DAYTON, OHIO

Mister Chairman and Members of the Subcommittee on Readiness, Sustainability and Support of the Senate Armed Services Committee: I appreciate your invitation to testify before you on the ability of Air Force Logistics Command (AFLC) to support the warfighting commands today and sustain them tomorrow. I have prepared this statement to provide: (1) an overall review of AFLC's responsibilities; (2) the financial picture of the command and what our portion of the President's Budget provides; (3) a short explanation of how we provide and assess support to the Unified and Specified Commands; (4) a description of the key AFLC programs in support of the total Air Force and especially the warfighting commands; and (5) some of the key initiatives undertaken since I assumed command eight months ago and the challenges I see ahead of us.

As a starting point, I'd like to first provide an overall description of Air Force Logistics Command. The command has approximately 93,000 dedicated and quality people assigned, eighty-eight percent of whom are civilian employees; the remainder, of course, are blue suit Air Force people. We accomplish our mission of keeping the Air Force combat ready through logistics by operating five large Air Logistics Centers (ALCs), which are the largest employers in four of the five states in which they are located. We also have several smaller, specialized activities such as the Aerospace Maintenance and Regeneration Center in Arizona and the Aerospace Guidance and Metrology Center in Ohio. But primarily, our five ALCs account for the vast majority of people, as they perform the materiel management, contracting, distribution and maintenance functions necessary to preserve, maintain and control an inventory of over 950,000 items.

To manage our primary weapon systems, we use the System Program Management Concept. This concept identifies one individual responsible for the readiness, reliability, maintainability and support of his weapon systems, such as the F-15 or C-5, for the entire Air Force. Along with the System Program Manager, we have Item Managers who manage individual items, such as landing gears, electronic components, etc., which comprise a weapon system.

Last year our depots repaired or modified over 1,000 aircraft, over 8,600 engines and over one million reparable items, or spare parts. To support that repair and modification, as well as provide other needed parts throughout the Air Force, we awarded over 360,000 contractual actions worth $10.5 billion for a multitude of goods and services, and over 2.1 million shipments were made from our ALCs throughout the world.

In summary, AFLC underpins the readiness and sustainability of the entire Air Force and is a big and vital defense organization representing a substantial investment of taxpayer dollars.

FINANCIAL

In performing our multiple responsibilities, we manage nearly $48 billion. This includes the central procurement accounts (aircraft and missile spares, for example), foreign military sales contracts totaling $24 billion, as well as our primary operation and maintenance account, Major Force Program VII. It is that budget on which I will primarily dwell in this statement.

My predecessor spoke before your Subcommittee last year and was, I'm afraid, much more positive than I am able to be this year. The AFLC FY88 Operation and Maintenance (O&M) budget he was defending was, on the whole, satisfactory going into the congressional budget review cycle. What was finally appropriated however, was not. My command is still attempting to recover from the roughly $400 million reduction we took and the late passage of the Appropriation Bill. I won't go into the details or impacts of those reductions but will be happy to respond to your questions concerning them. Suffice to say, the FY89 O&M amended budget represents a vital first step toward the essential recovery of Air Force logistics support funding. The Air Forces's $6.7 billion Major Force Program (MFP) VII funding level represents real growth of 4.2 percent over the FY88 appropriated amounts. We need this kind of growth to preclude a reoccurrence of the drastic actions the FY88 level of O&M funding forced upon us and, more importantly, to ensure the continued readiness of the United States Air Force. I hope you understand that the 4.2 percent growth represents recovery from 1988 and not growth in new 1989 requirements.

The most significant increase to MFP VII funding is Depot Purchased Equipment Maintenance (DPEM). This program funds depot level maintenance, including repair and overhaul of complete aircraft, missiles, engines, major equipment end items and repair of spare assemblies. It also augments organizational and intermediate-level repair when appropriate. The DPEM program request is $2.7 billion in FY89--about $300 million (12.5 percent) more than FY88 funding. This level will help to ensure (1) aircraft are maintained in a safe and ready condition through prescribed periodic depot overhaul; (2) greater levels of spare parts are repaired to support flying training and wartime needs; and (3) the growing maintenance backlog--now estimated at more than $800 million for FY88--is slowed in FY89. Other depot maintenance support programs, such as Interim Contract Support (ICS) for newly introduced weapon systems, are funded in FY89 at a funding level 18 percent higher than in FY88 but are still short of the total requirement. Much of this increase supports the new F-16 C/D (and others) until an organic depot repair capability is established and also funds the 1988 carry over. This funding is vital to the combat capability of our new operational weapon systems.

Our request for civilian pay is $1.3 billion, or 8.3 percent higher than our FY88 funding level. Conversely, we have reduced our manpower authorizations substantially as the result of the logistics management systems modernization program and other productivity efforts. Both will substantially improve our work year utilization rate which I have explained in greater detail later in this statement. It is extremely important that our civilian work force, which has seen much turbulence for two full years, be properly funded--early retirement programs, a hiring freeze, reduction of awards and overtime, attrition of nearly 6,000 talented people in on board strength in O&M, and 6,300 in the Industrial Fund ... not to mention planned furloughs are a direct result of underfunding. We must make a commitment to this vital asset, our civilian employees, and support the level of funding requested in FY89.

The Command's highest priority is the Logistics Management Systems (LMS) Modernization Program which I will also describe in detail later in this statement. For the past several years, the President's Budget has been underfunded relative to our need to bring these urgently needed systems to fruition. While we have been able to make up some of the shortfall internally--and some with Congressional help in FY88--the bottom line is that this limited funding has caused delays and slippages in the execution of our ADP modernization efforts. The FY89 budget partially rectifies this by financing nearly 83 percent of our estimated requirement. Past years have seen funding levels in the range of 53 percent to 62 percent of the amounts needed to quickly and successfully field these much needed improvements to our data systems. It is important to note that these systems also bring with them much needed productivity. In this regard, AFLC has recently begun to reduce 3,000 manpower spaces--savings directly attributable to the LMS Modernization Program.

A significant shortfall still exists in our transportation support area, First and Second Destination Transportation. This concerns me greatly. It is AFLC's responsibility to pay for the shipment of materiel to and from our contractors and Air Logistics Centers to all Air Force activities. Significant underfunding this year has caused us to take drastic measures to live within the funds available. These include diverting shipments from airlift to sealift, which causes a lengthening of the supply pipeline, increases the number of spare parts needed, and raises non-mission capable rates--as well as seriously curtailing shipments of vehicles, munitions and war reserve materials. Without additional funding in FY89 we will, in all probability, have to continue these cutbacks at further detriment to Air Force readiness. I will also address this vital program in more detail later in the statement.

Other critical areas of MFP VII, such as base operating support, facility maintenance, travel, and supply and equipment purchases are scaled back in FY89 to reflect the reduced funding levels and the economic realities facing DOD and the nation. Nevertheless, they too ensure we meet our responsibilities throughout the world.

The FY89 amended budget submission for Central Procurement funds represents a balanced approach toward assuring the logistics supportability of our combat units. There is approximately a one billion dollar increase in our request for aircraft procurement funds (appropriation 3010) driven primarily by a $500 million increase in initial spares requirements. The remainder of the increase is in aircraft modifications, common support equipment and replenishment spares which is necessary to regain some of the losses experienced in the FY88 budget.

Our request for missile appropriation funding increases from $394 million in FY88 to $498 million in FY89. The increase in our request is directly attributable to additional requirements for Minuteman and Peacekeeper replenishment spares. The other programs in the missile procurement appropriation are relatively constant.

In FY89, the request for other procurement funds to support our munitions, vehicles, telecommunications and electronics, and other base support programs decreases $11 million. This is in no way a lessening of the emphasis placed on these programs, but rather, a realignment of requirements to assure better execution of funds made available to us. Our request for munitions, vehicles and other base maintenance equipment increases a total of $74 million offset by a decrease of $97 million in telecommunications and electronic equipment. AFLC's total request for central procurement funds is based on providing the operating commands with balanced logistics support in the outyears.

As the Subcommittee knows, there is a nominal two-year lead-time between purchasing spares, munitions, etc., and seeing them as inventory on shelves or in warehouses throughout the Air Force. Thus, underfunding these accounts will not be highlighted by indicators such as increased aircraft cannibalizations or decreased mission capable rates until two years down the road. Nevertheless, those indicators will reflect underfunding. Last year's reduction to aircraft spares of nearly $500 million, plus the rescission of prior year funds for spares of over $110 million, will have a severe impact on both our mission capable rates and war readiness material fill rates in the 1989-90 time frame. Those decisions will come back to haunt us in the future.

The final slice of our financial pie is Foreign Military Sales (FMS) management. As I stated previously, we manage $24 billion of a total Air Force program of $65 billion. These dollars are not ours but those countries we support. For example, we provide logistics support for over 126 types of aircraft in 83 countries; but 4,000 of our 93,000 people are FMS authorizations and funded by the supported countries. We provide those countries with initial support for their systems, spare parts and follow-on support. The FMS program is not only good international relations but also allows a small degree of burden sharing between the US and our Allies as we draw from the same pool of spare parts where possible; $300 million worth, however, is theirs. In short, FMS management is also important to AFLC and provides us and our Allies needed capability.

As you can see, AFLC is essential to combat capability. The contributions we provide to readiness have been recognized in this year's budget through appropriate financial priority. We need that priority sustained.

UNIFIED/SPECIFIED COMMAND SUPPORT

I'd next like to turn to how we support the warfighting commands, and more specifically, how we track and evaluate the support we provide. As you know, the FY87 Authorization Bill opened the door for our Unified Commander-in-Chiefs (CINCs) to play a greater role in the review and allocation of defense resources. Having served as the Director for Logistics (J-4) on the Joint Staff prior to assuming command of AFLC, I can assure you that the CINCs are using that new authority and their service requirements are being analyzed more and more in light of their contribution to joint requirements and objectives.

Within AFLC, we review joint war plans on a periodic basis with a view toward assessing how well they can be logistically supported. This review is a detailed look, down to the unit level, on how ready or sustainable a particular unit is in fulfilling requirements of the war plan. Beyond our formal war plan review, our Logistics Operations Center maintains daily contact with the theater component commands working both near- and long-range logistics support issues.

AFLC is an active participant in JCS-sponsored exercises held several times a year. These provide immediate training and feedback on how successful the Command is in supporting the CINCs' needs. We also participate, primarily through our Combat Logistics Support Squadrons (CLSS), in actual deployments throughout the year which test our ability to provide direct, hands-on support to flying units employed in supporting joint exercises.

In each of the above examples our support is evaluated directly and corrections made based on results. However, our primary assessment tools are computer modeling techniques such as the Weapon System Management Information System (WSMIS). Using these assessment tools we are able to look at the wartime flying activity for each weapon system tasked in a plan (the F-111, for example). We then match the flying activity against available logistics resources to gain a clearer insight into the strengths and weaknesses of our support posture. With this insight we are in a better position to determine item repair priorities and direct expenditure of dollars where they will provide the most improvement in combat capability. The WSMIS provides readiness and sustainability projections for specific problem items as well as get-well assessments. Finally, it also offers us the opportunity to run sensitivity analyses, i.e., what is our ability to logistically support the combat forces given different levels of wartime flying activity and variations in combat unit taskings. In short, a critical part of our job is not just supporting theater commanders but analyzing that support with a view toward ensuring it satisfies their needs. The Air Force has made tremendous progress in the assessment and validation of our logistics requirements over the past several years.

PROGRAMS

Now I'll address those specific AFLC programs which provide direct support to the Air Force. In describing them, I have attempted to illustrate not only the funding and the need, but the impact if they are not funded.

As I stated earlier, the Logistics Management Systems (LMS) Modernization Program is my top priority. It is taking AFLC out of the card punch technology of the 1950s into the 21st Century regarding information systems management. The sheer number of transactions we must perform daily in support of the Air Force mandates we use modern data management techniques. The LMS program provides this capability. We depend on advanced telecommunications and data management capabilities to identify requirements, allocate resources and control logistics operations. Therefore, the basic objective of the LMS Modernization Program is to reorient our data systems from peacetime efficiency to the capability to respond immediately to wartime surge requirements. The new systems were planned and are being developed from that perspective. Without LMS Modernization, it will be impossible to maximize the effectiveness of our high tech weapon systems and provide the warfighting commands with the combat capability they need to protect the nation and its vital interests.

The LMS Modernization Program consists of nine major programs being developed incrementally. Each increment is brought to operational status and its contribution verified as we move to subsequent increments. These major programs include support to the four logistics core functions: requirements, contracting, distribution and maintenance--as well as other closely integrated logistics disciplines. The LMS Modernization

Program will replace existing, antiquated computer systems acquired in the '60s, with modern, on-line, direct access data bases.

Each program is managed as an individual project and is in a different stage of acquisition and development. All programs are on contract, with multi-phased programs scheduled for follow-on contract awards in the future. For example, the Depot Maintenance Management Information System recently completed source selection and went on contract for Phases II/III in January 1988.

The nine core programs are developed as a system of modules which are implemented as completed. All programs have achieved Initial Operational Capability, with the most recent being the Contracting Data Management System in April 1987, the Stock Control and Distribution System (SC&D) in July 1987, and the Intersite Gateway in January 1988. Additionally, two systems (Engineering Data Computer Assisted Retrieval System and Weapon System Management Information System) achieved Full Operational Capability during the past year. The remaining systems are expected to reach Full Operational Capability through Fiscal Year 1994.

Each program is undergoing a thorough Air Force Audit Agency benefits validation assessment at direction from the Major Automated Information System Review Council. During the past year, benefit assessments for the Engineering Data Computer Assisted Retrieval System, Weapon System Management Information System, Contracting Data Management System, and the Enhanced Transportation Automated Data System were completed and validated. Benefit assessments for the remaining LMS programs will be completed during the next year. The results underscore the importance of these programs to the AFLC. Just two examples of the benefits show the kind of significant return on the investment we can expect in these systems.

- Savings from the development of the Engineering Data Computer Assisted Retrieval System were validated at over $150 million through 1994--a significant return on investment when compared to the final acquisition cost of $29.8 million.

- Savings from the Weapon System Management Information System were validated at $366 million during the system life cycle due to improved requirements computations for war reserve spares.

Additionally, some additional examples of benefits which we expect to validate are provided below.

- When the Requirements Data Bank (RDB) is completed in 1994, the spares computation cycle will be reduced to 21 days from the current 75 days and achieve $440 million in savings from more effective resource allocation.

- From the Stock Control and Distribution program, we expect to increase aircraft availability by 107 aircraft, reduce the item management inventory by $14.4 million, and reduce order and shipment time by up to 26 hours. (We're already seeing a 12 hour reduction with the capability that SC&D has already delivered.)

To summarize, the LMS Modernization Program is AFLC's top priority. It provides the advanced decision-making tools to allocate scarce resources for the support and endurance of the operational forces and, at the same time, reduces our business costs. The results so far have been extremely positive; the benefits to be derived are promising and essential. However, the FY89 President's Budget of $165 million provides the minimum funding required to continue the modernization effort and the necessary seed money to begin work on four other ADP modernization programs required to meet Air Force needs in the future. These programs are being managed in the same vigorous manner as the LMS Modernization Program and will take advantage of all lessons learned in the earlier programs. Without adequate funding support, full realization of the promised results and benefits to be derived from the LMS Modernization Program cannot be achieved; thus, force readiness and AFLC's ability to perform its logistics mission will be substantially degraded.

CIVILIAN PERSONNEL

Perhaps no other budget account I manage has received more attention now and in the FY89 budget preparations than our Civilian Pay account. Civilian pay comprises nearly a quarter of Major Force Program VII and funds the critical materiel management, and contracting and distribution functions of AFLC. Since the end of FY86 and projected through the end of this fiscal year, we will have lost over 12,000 employees. The Command entered FY88 planning on a 93.2 percent civilian utilization rate (that rate which would allow us to fill 93.2 percent of our authorized positions). However, when we received our share of the FY88 appropriation reductions, we were forced to reduce the utilization rate to 90 percent. (In purchasing power, FY88 funding was nearly $550 million below the FY87 level and nearly $1 billion below 1985.) With the late arrival of FY88 funds, I was already committed to my second quarter financial plan and had only 6 months to take stringent measures to drive civilian employment down to the level enabling us to live within our funded level. These measures resulted in my requesting furlough authority (up to ten days) for all AFLC civilian employees, potential release of over 2,000 on-calls and temporary employees, and finally, drastically reducing overtime expenses. These actions went well beyond our earlier moves, such as the early retirement programs and a hiring freeze which we began last year. They were, to put it mildly, extremely difficult decisions and ones which we continue to work hard in order to reverse. Nevertheless, without adequate funding we simply cannot keep the necessary people on board and simultaneously fulfill our responsibility to provide logistics support to the Air Force. It takes talented, skilled and dedicated people to provide that support, but we must have adequate funding to maintain them.

The impact of the personnel turmoil in FY88 will be felt throughout the Air Force. Because of this, the funding level of $1.3 billion, AFLC's portion of the FY89 budget for civilian personnel, is an absolute necessity. It will allow us to build back to a 98 percent utilization rate, more in line with the FY85 and 86 levels. I strongly urge your support of the level requested in the budget. Our civilian work force provides the foundation for everything we do. We simply must not continue allowing their numbers to dwindle. They are truly a national resource.

DEPOT PURCHASED EQUIPMENT MAINTENANCE (DPEM)

As I mentioned earlier, the growth in the maintenance and repair account for FY89 is significant. The primary reason for this growth (which returns us to previous funding levels) is that it's vitally needed. Adequate funding of maintenance and repair is, like spares, directly correlated to Air Force readiness, mission capable rates, etc. This account "buys" the repair and modification services performed by our maintenance organizations. When it is underfunded, those repair and modification services can't be accomplished--resulting in parts stacking up on shelves or aircraft receiving less (or deferred) maintenance. AFLC repairs spare parts at one-sixth the cost of buying a new part and, in fact, repairs, instead of buys, nine out of ten investment parts. Of course, the other one-tenth, plus requirements for new weapon systems and war-readiness material, constitute our replenishment spares requirement. The leverage we provide to Air Force readiness through depot repair actions is obvious. I classify it as an absolutely must pay item.

That's why our growing DPEM backlog is so troublesome. During last year's hearing, my predecessor projected a $150 million backlog for FY88 and $450 million for FY89. Unfortunately, I must revise that projection significantly upward. In FY88 we are now projecting a backlog of $818 million dollars with a financial backlog of $462 million for FY89. These figures are based on a realistic estimate of our ability to actually perform the repair work given our eroding capability. There are a number of reasons for this increase in our projection. First, the FY88 request, although fully supported as a line item in the budget, was too low. Second, the undistributed congressional reductions we took in AFLC automatically reduced available DPEM dollars since the DPEM account is roughly 50 percent of our O&M budget.

There is no easy or quick way out of this dilemma. The FY89 budget only slows the backlog growth. I have worked closely with the Air Staff in developing the FY90 budget in order to fund DPEM at a level which begins to reduce the backlog. However, today, because of fiscal realities we must be satisfied to nibble away at the backlog each year until it's reduced to a manageable level. The backlog of 1988, caused by underfunding, will be with us for several years.

In summary, any failure to adequately fund repair has a direct effect on readiness and sustainability. We have made good progress in the FY89 budget to overcome the turmoil of FY88, but in your deliberations, I urge you to consider DPEM's direct impact on force readiness and support the necessary growth in the FY89 request.

AIRCRAFT SPARES

As adequate DPEM funding is correlated to Air Force readiness, so is the spares account, though its underfunding, because of the acquisition pipeline, is masked for several years. We reached a high point in spares funding in FY85 and are living off that now. The FY88 congressional reduction to aircraft spares will cause severe problems in the near future. Overall, 49 percent of aircraft replenishment spares requirements are funded in FY88. Of that amount, all is allocated to fund peacetime flying requirements, which are 93 percent funded. For FY89 we are funded at only 40 percent of our total requirement. Because our first priority is readiness, all of this amount is allocated to fund, as in FY88, peacetime flying requirements. Because of fiscal constraints, we have not funded critical war reserves needed to support worldwide commitments. Additionally, we have no funds to update existing war readiness spares kits which support newly modified or upgraded aircraft. What this means to me and what this translates to for the remainder of the Air Force is--while we remain ready to respond to contingency operations, we may not have the staying power to sustain. We are, in fact, a peacetime Air Force and must accept the risk to our national security that entails. While the FY89 budget begins to restore some stability, we must not lose sight of the fact that a balanced logistics support program, among all elements, is necessary to provide adequate levels of readiness and sustainability.

OTHER PROCUREMENT

One can easily be misled by the name of this program. Other Procurement is not a glamorous title, but this important appropriation (3080) plays a vital role in the direct and indirect support of Air Force readiness and sustainability. This account provides procurement funds for munitions items such as the Combined Effects Munitions, chaff/flares, rockets, bombs, etc., for both training and war readiness purposes. It also funds for all Air Force vehicles from the simple sedan, to a state-of-the-art fire truck, to the new R-11 aircraft refueler. The communications and electronics portion of the Other Procurement appropriation provides dollars for the majority of our needs in satellite communications like MAC Command and Control Systems, in surveillance systems like the over the horizon backscatter radar, in C2 like the Joint Tactical Communications Program (TRI-TAC), etc., and funds the spares and repair parts for all communications and electronics equipment. Finally, the other base and support equipment category provides items ranging from Mechanized Materiel Handling Systems (MMHS), to cargo nets, to medical and dental equipment.

The President's budget contains a total request of $8.4 billion for Other Procurement, although $4.8 billion of this total is designated for special projects. The remaining $3.6 billion not only supports the active Air Force, but also the Air National Guard and the Air Force Reserves to the tune of over $124 million.

There is a modest increase over the FY 88 budget appropriation for a few Other Procurement budget programs. The increase in munitions is generated by a modest growth in training munitions, used to maintain the proficiency of our forces, and certain war readiness ammunition. The increase in the vehicle budget program is caused by the introduction this year of the Mobile Armored Reconnaissance Vehicle (MARV), as well as the continued purchase of the R-11 aircraft refueling truck. But, despite this modest increase in vehicle funds over the FY 88 appropriation, we find ourselves buying less than our annual requirements. As you recall, the FY 88 budget took a severe congressional cut in the vehicle appropriation; we are still recovering from that cut.

The FY 89 vehicle request is $19 million lower than the FY 87 appropriation.

Not all Other Procurement budget programs are increasing in FY 89. I am most concerned over funding in the communications and electronics area, as it funds our ADP for the LMS Modernization Program, as well as the spares, repair parts and modifications for all communications and electronics equipment. Additionally, the other base support equipment budget program has a funding shortfall in MMHS, PMEL and industrial plant equipment for Air Force bases.

Finally, I must again stress the need for a balanced approach to funding all OPAF budget programs, because each one makes an important contribution to Air Force readiness and sustainability.

COMMON SUPPORT EQUIPMENT

Common Support Equipment is essential for both new acquisitions and replacement items. The program provides the organizational and base equipment used in direct support of aircraft requirements for out-of-production aircraft, common support for new aircraft entering the inventory and for aircraft being modified.

Replacement items account for about percent of this program. The items being replaced range in age from 10 to 30 years old, and are either no longer economical to repair or spare parts are no longer available.

The FY 89 common support equipment request of $264 million is for procurement of such items as avionics test station, munitions handling equipment, jet engine test stands, noise suppressors, cryogenics equipment, generators and maintenance platforms.

Over the last several years this account has declined, but the Air Force recognized a serious shortfall in the F-16 support equipment program and stepped-up to the issue by adding $65 million over the FY88 budget. The increase chiefly buys support equipment needed to successfully support the modernization of the Air National Guard and the Air Force Reserve with the F-16 Fighter/Air Defense Fighter. Even with this improvement, the FY89 request, which includes items for the Special Operations Forces, will only support new, or initial, equipment requirements. It will not reduce a growing backlog of over $190 million of requirements in the replacement program. This shortfall must be addressed in the near future or supportability will inevitably deteriorate.

AIR FORCE STOCK FUND
SYSTEM SUPPORT AND GENERAL SUPPORT DIVISIONS

The Systems Support Division and General Support Division of the Air Force Stock Fund are critical elements in supplying combat logistics support. Since it is a self-supporting, revolving fund reimbursed with O&M funds, it requires little annual appropriation to support current forces and operations. Nevertheless, our request is important.

We ask for appropriations for two specific purposes. First, we must augment the revolving stock fund inventory to support new or modified weapon systems entering the inventory, i.e., force structure changes. While the importance of the Stock Fund to warfighting is not well understood, it buys the new repair parts which are vital to the day-to-day operations of newly acquired systems. Second, we must also invest in War Readiness (WRM) assets in order to sustain wartime operations.

Our FY89 portion of the inventory augmentation request of $102.4 million primarily supports assets for the new C-5B, F-15E, F-16C/D and LGM-118 (Peacekeeper) fleets we are procuring this year. Stock Fund WRM funding of $47.5 million provides parts for a variety of systems and subsystems for all our aircraft fleets, communications and electronics equipment and bare base equipment.

We have lost ground in meeting both prepositioned and Defense Guidance goals over the past several years. I am concerned that an FY89 reduction to the Stock Fund similar to FY88 will cause severe problems, starting immediately, throughout the Air Force. Funding constraints allow us to request only 17 percent of WRM requirements, another example of the possible sustainability shortfall.

AIRCRAFT MODIFICATION PROGRAM

The Aircraft Modification Program, like the other direct logistics support programs, is another factor in having balanced logistics support. This program provides new capability for existing systems, like the CFM-56 engine program for the KC-135 fleet. It also provides modifications for correcting fleet safety or deficiency problems and improving the reliability, maintainability or supportability of existing systems. An example of this reliability and maintainability type modification is the replacement of the Inertial Navigation System on the F-111D/F fleet with a Ring Laser Gyro. We estimate this particular modification will save us $140 million over the life of the aircraft in spares and repair costs.

These reliability/maintainability modifications, which we call Class IV mods, are funded at $93.4 million in the FY89 President's Budget for new starts. With the $93.4 million we plan to fund 47 new modifications, of which eight are safety related. Among the mods in this request is the service life extension to the T-37 fleet, our initial jet pilot training aircraft. Because of the T-46 cancellation, we must start actions now to carry T-37 fleet into the 21st Century. If we don't, training for our young student pilots will suffer. I am pleased to state that we've also included funding for installation of a Ground Collision Avoidance System on our cargo/airlift aircraft, an item of congressional interest in the FY88 budget cycle.

Your support of the aircraft modification program provides us the leverage of increasing the capability of older, existing weapon systems at a fraction the cost of procuring new systems. It also directly increases readiness and sustainability by not only enhancing reliability but also reducing the number of people needed to maintain our weapon systems.

FIRST AND SECOND DESTINATION TRANSPORTATION (FDT/SDT)

A critical, but little understood program which contributes to Air Force readiness far beyond its dollar value is the First and Second Destination Transportation (FDT/SDT) account. First Destination Transportation funds the movement of assets, such as spare parts or equipment, from the point of origin (usually the manufacturer's plant) to the point the items are first received for storage or use in the United States, such as an Air Logistics Center. Second Destination Transportation covers all subsequent movement of material. It includes transportation costs for over-ocean cargo, all shipments from the ALCs to bases throughout the Air Force, and the shipments from Air Force bases back to the ALCs.

The total Air Force FY89 budget for FDT/SDT is $474 million. Due to the reductions throughout AFLC in FY88, we were forced to reduce FDT/SDT nearly 20 percent below the 1987 level. This reduction caused us to make some tough decisions which directly impact on readiness. For example, we severely reduced air shipments, deferring to ground transportation modes. In fact, 24 percent of air eligible cargo has been diverted to surface mode, adding 40-50 days to transit times. This increases our supply pipeline and will drive up the requirement for spare parts. We also reduced the LOGAIR (Logistics Airlift) system from a seven-day-a-week service to six-day service, resulting in less combat support to our units. Finally, we deferred shipment of WRM munitions and many new vehicles (over 3,000) to overseas destinations in order to save additional funds. The cost savings from these decisions are short-term only and, in many cases, only deferred to FY89. Not counting the potential operational impacts of insufficient munitions, for example, in the long-term we will actually spend more in increased spares requirements or increased costs associated with maintaining older vehicles because we can't afford to ship the replacements. Finally, the impact to daily readiness through a less responsive transportation system is penny wise and pound foolish. Based on impacts of the work-arounds associated with reductions made to FDT/SDT in 1988, I urge you to support the full request in this year's budget.

CONTRACTOR LOGISTICS SUPPORT (CLS)

Contractor Logistics Support (CLS) is a planned approach we use to provide all or part of logistics support to a system, subsystem, modification, or individual equipment. The CLS decision is made for the entire life cycle of a system and is done through a commercial contract with no backup depot organic capability.

Several factors are considered before deciding to use CLS. First and most important, we look at mission requirements--i.e., is it combat, training or mission support. Next, we do a cost-benefit analysis focusing on the cost effectiveness of using CLS. In most instances we've found likely candidates to be peacetime training, mission unique or small fleets of weapon systems or inventories.

Funding reductions cause immediate alarm because once committed to CLS, we do not have the capability to revert to our organic depots without considerable lead time for planning, equipment, training and, of course, dollars.

By adequately funding CLS, we maintain our commercial industrial base which I regard as essential in sustaining combat readiness. Not funding CLS does not result in savings since the maintenance still must be provided. A decision to not fund CLS is a decision to terminate training or ground the weapon system.

INTERIM CONTRACTOR SUPPORT (ICS)

Interim Contractor Support (ICS) is another planned support alternative that is temporary in nature and used when eventual organic support is planned. It is an extremely cost effective method when a system is unstable and investment in organic capability would be premature. Depending on needs, it is used to support the maintenance of an entire aircraft system (like depot support for the B-1) or specific subsystems. We use ICS for both base-and depot-level support.

The decision to use ICS is based on economic logistics considerations. For instance, design instability would preclude investment in support equipment and technical data that has a high probability of near-term obsolescence. Likely candidates are identified up-front in the acquisition process through a process called Logistics Support Analysis. The documentation is included in the Integrated Logistics Support Plan. While we work diligently to develop early organic repair, compression of acquisition lead-times or late budget cuts often drive us to the use of ICS.

Since there is no repair alternative, adequate funding is essential to direct operational support of newly fielded weapon systems. Basically, ICS enables us to keep programs operational, maintain their readiness and affords us the opportunity to "grow" with the new item or system until the planned organic maintenance capability is achieved.

ASSET CAPITALIZATION PROGRAM (ACP)

The Asset Capitalization Program (ACP), a small but significant program in terms of payback, was approved by Congress for implementation in FY83. ACP was designed to replace and modernize aging industrial equipment and thereby upgrade the Air Force Depot Maintenance Industrial Base. The program provides Industrial Fund activities with the capability to fund capital assets by including an amount in their sales rates which is reserved for the ACP acquisitions. Currently 34 percent of the Command's industrial equipment is 13 years old or older. During the five years under the ACP program, the average age of industrial equipment has been significantly reduced. The ACP does not receive a direct appropriation from Congress.

While modernization is the primary purpose of the ACP, increased efficiency and productivity improvements/savings also play an important part in ACP. Productivity improvements realized by application of new equipment are reflected in our depot rates and hence passed on as additional buying power to the customers who buy our service. However, it is important to note that some equipment acquisitions provide even more than productivity savings. For instance, some equipment is purchased to maintain new systems or components or perform tests or diagnoses not previously within our capability. As a result, faults in previously untested components can now be found and repaired. The ultimate potential savings to the customer are reflected as safer and more reliable aircraft or equipment. Still other equipment acquisitions might actually increase costs to depot maintenance operations, yet accrue tremendous benefits to other accounts. An example is a throw-away spare which becomes repairable. While it means new repair costs, it results in considerably larger avoidance of expenditures for new replacement spares.

While we have many examples of the benefits of ACP, I've listed two below that are typical of the program:

a. Computer Numerically Controlled (CNC) 8-Axis Cutter Grinder purchased for Hill AFB Utah. This machine used five linear axes and three rotating axes. It has the capacity to manufacture or sharpen such tools as end mills, reamers, shell mills, gear cutters and boring bars. The new technology of this machine incorporates safety procedures and designs that allows the grinding to be done behind safety sliding doors. This door has see-through safety glass which allows the operator to observe while being protected from flying metal chips and lubricating oils. The $300,000 investment provides $100,000 annual savings.

b. Automatic Pulsed-Wire TIG Welding Machine purchased for Tinker AFB in Oklahoma is used to perform weld build up repair of knife-edge airseals from all engines. The addition of this machine allows an increase in the variety of airseal repairs as well as increased workload capability. The computer control of this machine allows greater consistency from part to part, thereby increasing quality and productivity. The $100,000 investment for each machine provides a $200,000 savings.

The bottom line is this: the Air Force needs a timely and properly sized ACP to ensure up-to-date equipment and technology are used to maintain complex, modern weapon systems and keep our depots viable and modern.

MILITARY CONSTRUCTION PROGRAM

The Military Construction Program (MCP) provides the facilities for performance of the Air Force Logistics Command mission. It includes projects to support new and expanded weapon systems; projects to improve the Quality of Life for our work force; and most important to us, projects to increase the productivity of the depot maintenance and distribution functions which will allow us to keep pace with advancing technology and an ever-increasing work load.

Over 40 percent of our building space was built during or prior to World War II and is now over 40 years old. Many are wood construction and in need of replacement. While completion of projects already approved by Congress will allow disposal of nearly 4 million square feet of World War II buildings, continued emphasis on new construction is needed over the next decade as the World War II buildings approach 50 years of age. Replacement of buildings at approximately 50 years of age is consistent with Air Force and OSD goal to invest 2 percent of inventory replacement costs for new facilities.

The FY89 MCP includes 12 AFLC line items valued at $71 million. This request is significantly lower than the $141 million requested in FY 88, and substantially lower than our requirements to replace aging facilities. The program is operationally oriented, as mandated by the need to acquire modern depot maintenance facilities, and represents hard core requirements to upgrade our aging ones.

The following is a list of all AFLC projects proposed in the FY89 MCP submittal. This list does not include other major command facility requirements to be constructed on AFLC bases.

AFLC MILITARY CONSTRUCTION PROGRAM
LINE ITEM LISTING FOR FY89

BASE	TITLE	($M)
HILL	ADD TO AND ALTER METAL PROCESSING SHOP	1.6
HILL	COMBAT LOGISTICS SUPPORT FACILITY	3.7
KELLY	CORROSION CONTROL FACILITY	8.8

KELLY	DEPOT WAREHOUSE	17.5
KELLY	ADD TO HAZARDOUS MATERIAL STORAGE FACILITY	3.0
McCLELLAN	FIRE SPRINKLER SYSTEMS	2.2
McCLELLAN	VEHICLE REFUELING STATION	0.9
ROBINS	ADD TO AND ALTER ENGINEERING TEST FACILITY	7.5
ROBINS	AIRCRAFT CORROSION CONTROL FACILITY	11.4
TINKER	B-1B AVIONICS FACILITY/LAND ACQUISITION	11.4
TINKER	SECURITY POLICE OPERATIONS FACILITY	1.3
WRIGHT-P	ALTER HQ AFLC COMMAND POST	1.7
	TOTAL	70.9

As the dollar amount of our FY89 request suggests, we have scrubbed our needs in the Military Construction Program to the bones. Each project is oriented toward logistics operations and will enhance either our efficiency or effectiveness. Like other programs, the costs associated with maintenance of older facilities continue to grow as we defer their replacement.

Closely related to the Command's construction needs are the efforts to take care of our existing real property inventory. We have almost 85 million square feet of building space to support the Air Force logistics mission. Funding from FY84 thru FY87 satisfied about 80 percent of our real property requirements. The funding available for FY88 (70 percent) and projected for FY89 (69 percent) reduces our ability to adequately maintain real property inventory. Our mission is dependent on people, equipment and facilities; thus, real property maintenance is key to AFLC's ability to successfully support Air Force logistics needs and ensure Air Force readiness.

INITIATIVES

I'd now like to focus on several initiatives we've begun over the past year. In each one the goal is, of course, to improve the Command's ability to support the Air Force--in war and peace. In order for these initiatives to have lasting impacts, we've taken steps to institutionalize them, either through command or Air Force policy changes, or functional reorganization.

Contracting

The first of the initiatives is in our contracting activity. As I stated earlier, the amount and number of contracts we sign each year are significant and have a direct correlation to Air Force readiness. In the area of competition we competitively awarded 24.6 percent of our contracting dollars in 1984. In FY87 that figure climbed to 42.1 percent. So far this fiscal year, 48 percent of our dollars have been awarded competitively against a goal of 45 percent.

Another contractual tool providing us long-term dollar savings is the use of various multiple-year contracting techniques. Under these procedures, we use current and future requirements when determining the appropriate business arrangement.

In FY87 we obligated 36 percent of our dollars using multiple-year contracting techniques against a goal of 30 percent. Another added benefit to the use of these procedures is the favorable response from our contractors. It allows them to plan and procure their resource requirements in a relatively stable environment.

We also instituted a Blue Ribbon Contracting program this year where we identify known quality contractors through criteria which include on-time deliveries and minimum quality deficiencies. Because of their past quality performance, these Blue Ribbon contractors may receive contract awards even though they may not be the low bidder. Aside from the direct benefit of awarding to a known quality performer, the program serves as an incentive to other contractors to improve their quality and delivery performance so they qualify as a Blue Ribbon Contractor.

Another effort in the contracting arena is what I've termed, our "War on Delinquencies." Historically, we have not always received deliveries in accordance with our contract delivery schedules. To remedy this I have made on-time delivery a major priority and express this to the various Chief Executive Officers I speak with. Also, as part of our efforts to turn around poor performers, we will use all appropriate remedies, including liquidated damages, termination and suspension or debarment.

In concert with our efforts to reverse excessive contractor delinquencies, we instituted "Insurance Policy" procedures. To increase competition, we have at times contracted with first-time producers, some of which fail to deliver quality products on time. Our "Insurance Policy" procedures allow us to award a minimum essential quantity contract, with options, to a proven supplier and a limited quantity contract, with options, to the unproven, lower-cost supplier. If the lower-cost supplier produces, we exercise the option for the remaining quantity with him. If he does not, we still have the proven supplier to fall back on.

Each of these contracting initiatives contributes to our ability to provide the right asset where and when it's needed. We'll continue to refine and build on these initiatives as our experience matures. In short, I'm very pleased with the results thus far.

Total Quality Management

Quality is basic to our business. It is the discipline and consistency in both industrial and management processes which will allow us to deliver goods and services to the combat commanders that equal or exceed their requirements. To achieve this kind of logistics support, AFLC has adopted a new approach to quality--one built on the unequivocal commitment to excellence by every manager and worker.

The goal is to focus our efforts and resources on each element of each process, not on the final result. The emphasis is on substituting an ounce of prevention for a pound of correction. That way the product will be right the first time, and without the waste normally associated with more traditional quality control efforts. We will extend our total quality management program to everything we do . . . from contracts written precisely and thoroughly and staff work well thought out and on target, to top-notch manufactured products on the depot floor.

CONCLUSION

As I've attempted to illustrate throughout this statement, AFLC is in a very real state of transition this fiscal year. That transition, driven by financial realities, compels us to make tough decisions in our attempt to provide the Air Force the logistics support it requires in the face of a declining budget. Managing our requirements to maximize combat support in light of these realities is the biggest challenge facing AFLC today.

The resultant trade-offs we've been forced to make give me great concern about the support posture of the Air Force. While the FY89 budget reflects a welcome priority on force readiness, I am most concerned with the sustainability of those forces. I fear we are sacrificing military staying power for economic expediency. We need to reverse the trend of "see-saw" yearly defense budgets and commit to a steady growth which allows us to plan and equip a ready and sustainable military force.

Regarding the turmoil of this fiscal year (FY88), my immediate concern is its effect on our people. As I mentioned earlier, we will have reduced nearly 12,000 people in the past two years. By itself, that is significant, especially since our support requirements and workload have not diminished. We are seeing benefits in productivity, especially because of our LMS Modernization Program, but those gains do not offset the losses. If we do not stabilize our civilian work force, the turmoil will magnify. The inefficiencies generated by moving people around, of training new people (and retraining older experienced ones) to fill difficult positions is already beginning to show. Add to that the potential loss of many on-call and temporary workers and the probability of a furlough for all employees, (with the attendant morale/motivational problems), and we have a very real challenge for AFLC's entire management team. It's a challenge I hope we can meet and still provide necessary support to the Air Force.

The last thought I would like to leave with you has to do with the logistics balance I've mentioned throughout this statement. Mr Chairman, part of your Subcommittee's broad charter, though unwritten, is to ensure that logistics balance is maintained in order to provide the maximum readiness and sustainability for our Armed Forces. I ask you to remember as you debate and mark-up the FY89 request that: (1) a reduction in DPEM has direct impact on force readiness and a corresponding impact on needed spare parts; (2) a reduction in First or Second Destination Transportation extends our parts pipeline and similarly drives up spare parts requirements; (3) a reduction in the Stock Fund places us in a potential position of not being able to repair necessary items for lack of small repair parts; (4) a reduction in LMS/ACP funding slows our effectiveness and mortgages our future; and finally (5) without our quality people, we can do nothing. All these things and more are part of the balanced logistics equation. That balance needs to be maintained.

Thank you, Mr Chairman, for your invitation to testify today. I look forward to a continuing dialogue with you and your Subcommittee and the opportunity to respond to your questions.

Senator DIXON. I thank you, General Hansen. I certainly agree, we have a tough period ahead of us, and I appreciate your candor.

Would you and General Wagner see to it that all of your charts are made available to staff so that they can be reproduced in the record, and those will be very useful to us.

At this time, we would recognize Vice Adm. Stanley R. Arthur, U.S. Navy Deputy Chief of Naval Operations for Logistics. We thank you for being here this morning.

STATEMENT OF VICE ADM. STANLEY R. ARTHUR, UNITED STATES NAVY, DEPUTY CHIEF OF NAVAL OPERATIONS FOR LOGISTICS

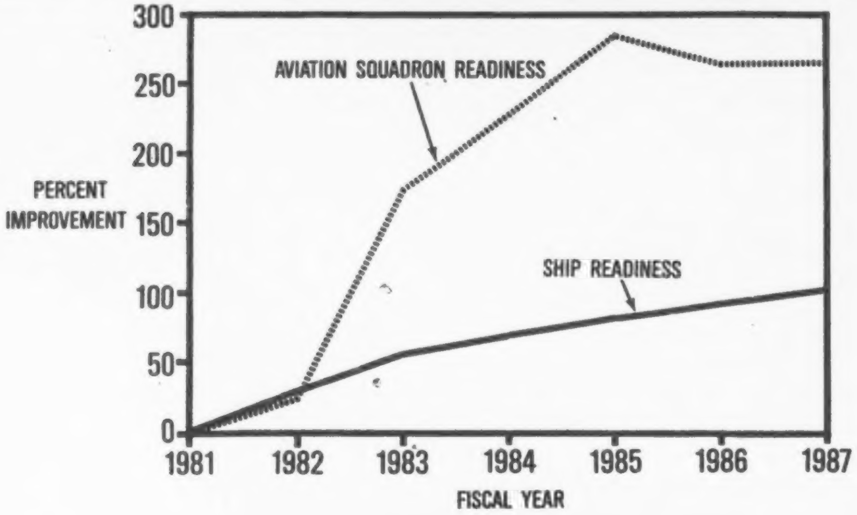
Admiral ARTHUR. Mr. Chairman, thank you. It is a pleasure to be here with you and your distinguished members.

I would like to address some of the items that were referred to us in your letter and stand by for your questions at the end.

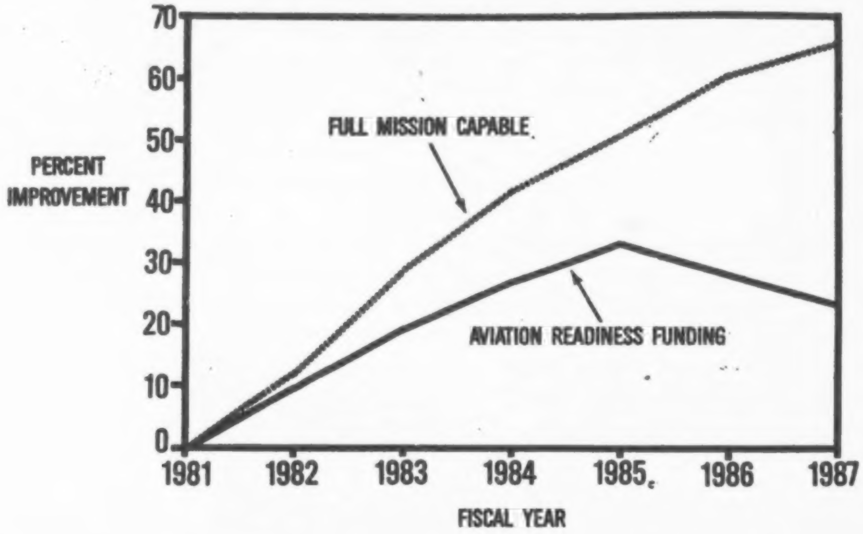
To accomplish our varied missions, the Navy requires trained personnel, forward deployed in the proper types and number of ships and aircraft. To operate as a ready-to-fight unit in top combat condition, our deployed forces also need ordnance, spares, facilities, and maintenance support.

I will address each of these elements later, but first I would like to discuss some indicators of our readiness to go to war today and our ability to sustain combat operations if required.

SHIP AND AIRCRAFT READINESS

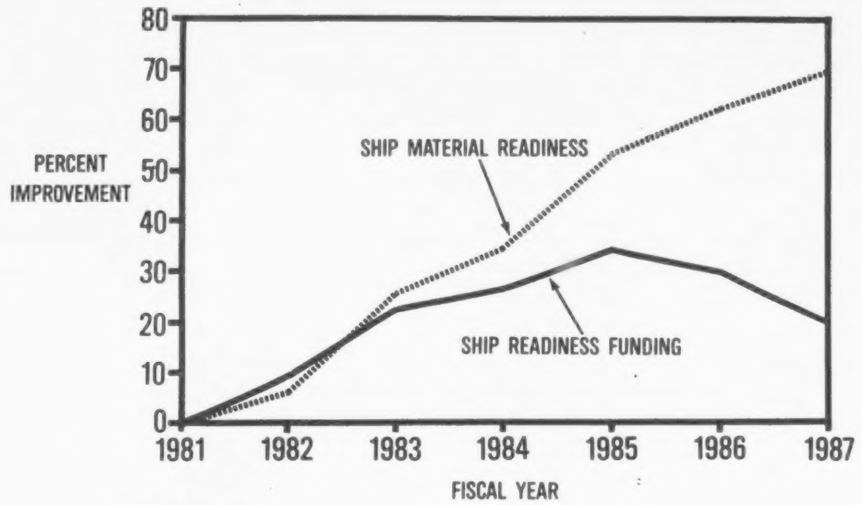


AVIATION MATERIAL READINESS



First, the overall readiness of our ships and aircraft has improved an impressive 102 and 265 percent, respectively, since 1981. The materiel readiness of our aircraft, as measured by full mission capability, has improved 66 percent since 1981. There is a strong correlation between the level of resources supplied and the materiel readiness that results. So we project aviation readiness will decline slightly in the next few years.

SHIP* MATERIAL READINESS

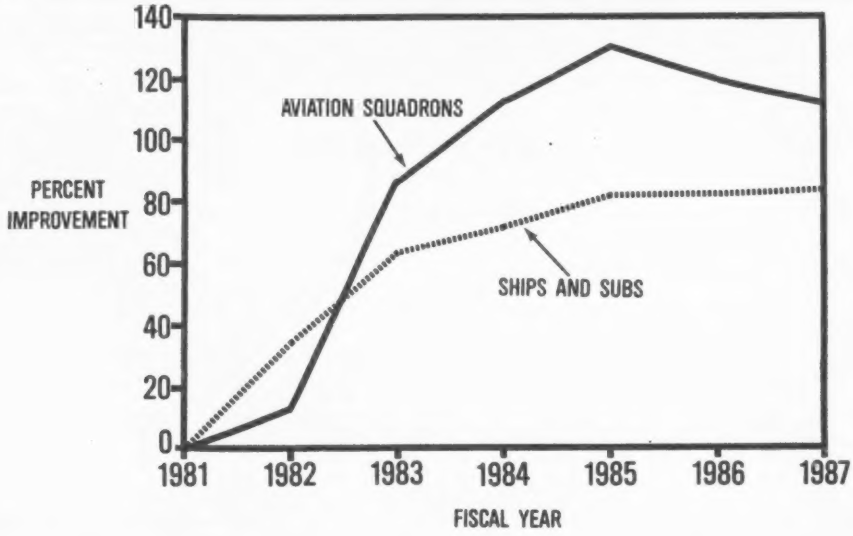


*SURFACE SHIPS ONLY

Ship materiel readiness is measured in terms of the amount of time a ship is free of mission degrading equipment casualties.

Time free of mission degrading equipment casualties for surface ships has improved about 69 percent since 1981. The recent reduction in funding, while readiness continues to increase, is the result of many maintenance and support efficiencies, including readiness based sparing, shorter and less frequent depot level availabilities, and improved depot efficiencies.

PERSONNEL READINESS



Investment in our manpower accounts over the last 7 years has paid major dividends in the personnel readiness of our ships and aircraft squadrons.

Ship and submarine personnel readiness has improved 84 percent over the fiscal year 1981 level, and aviation squadron personnel readiness has improved 112 percent during the same period.

Many factors affect these measures. As the quality and quantity of manpower and the funding for readiness items such as spares and maintenance increased during the early and mid 1980's, readiness improved. Although our efforts to define a relationship between specific resource elements and overall ship and aircraft readiness are continuing, we know that a balance of many resources—manpower, spares, maintenance, facilities—all are required to maintain and improve readiness.

The readiness level that we are achieving today is the highest that it has been in the recent past. But continued strong congressional support will be required to maintain this level.

The Navy program has been balanced during the buildup to our 600-ship Navy and continues to be balanced in both the 1988 and 1989 amended budget submit.

We have improved the capability of our ships and aircraft through modernization while readiness has increased. Based on the budget submitted, if we can sustain modest growth from fiscal year 1989, we will be ready and will have the staying power.

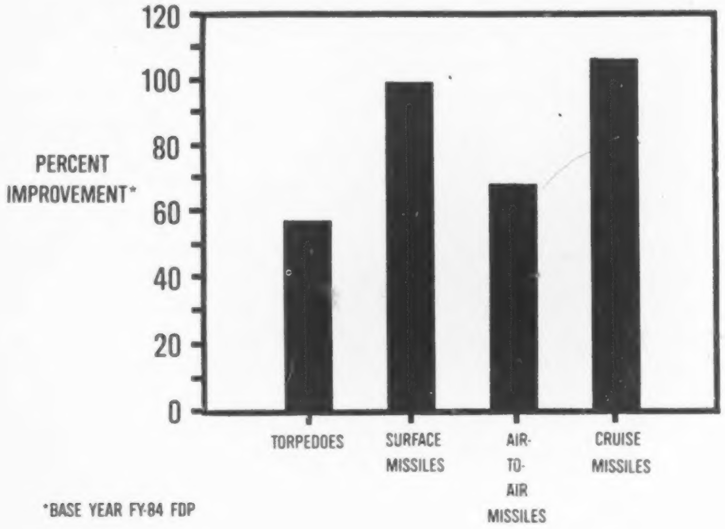
To look briefly at some specifics, we have continued to see improvement in the overall management of our supply inventories during this past year. Contracting initiatives begun in 1983 continue their impressive returns, having produced cost avoidances totaling $1.3 billion through fiscal year 1987, while upgrades to our ashore and afloat inventory management systems are paying off by reducing operating costs and improving our inventory accuracy. These major initiatives will begin to return substantial benefits in the early 1990's. In this budget we will continue investing to achieve the improved productivity and control wherever our inventories reside.

Our 1989 spares program is the absolute minimum level necessary to maintain current readiness and sustain our investments of the 1980's. We have incorporated no readiness improvements in our request. Compared to the previous submissions, the fiscal year 1989 proposal reflects an increased, although we believe acceptable, level of risk.

Conventional ammunition funds in this budget provide for peacetime training as well as combat sustainability in the form of war reserve stockpiles.

The Navy continues to reduce the cost of peacetime training. In fiscal year 1989 approximately 14 cents of each procurement dollar will be used for training. This is 25 percent less than it was in 1983.

SUSTAINABILITY IMPROVEMENT
(INCLUDES FY89 FUNDING DELIVERY PERIOD) (FDP)



Fiscal year 1989 procurement continues to improve our combat sustainability. For example, torpedo sustainability has increased by 57 percent over inventories resulting from the fiscal year 1984 procurements. In the case of surface missiles and cruise missiles, there is an almost 100 percent increase, while air-to-air missiles show a 68 percent increase.

Depot maintenance is another major contributor to readiness and sustainability. It is Navy policy to perform repairs and maintenance at the lowest practical level, aboard ship if at all possible, or at intermediate maintenance activities in the fleet. Repairs that cannot be performed at these levels are performed at the depot-level shipyards, aviation depots, ordnance stations, and at contractor plants.

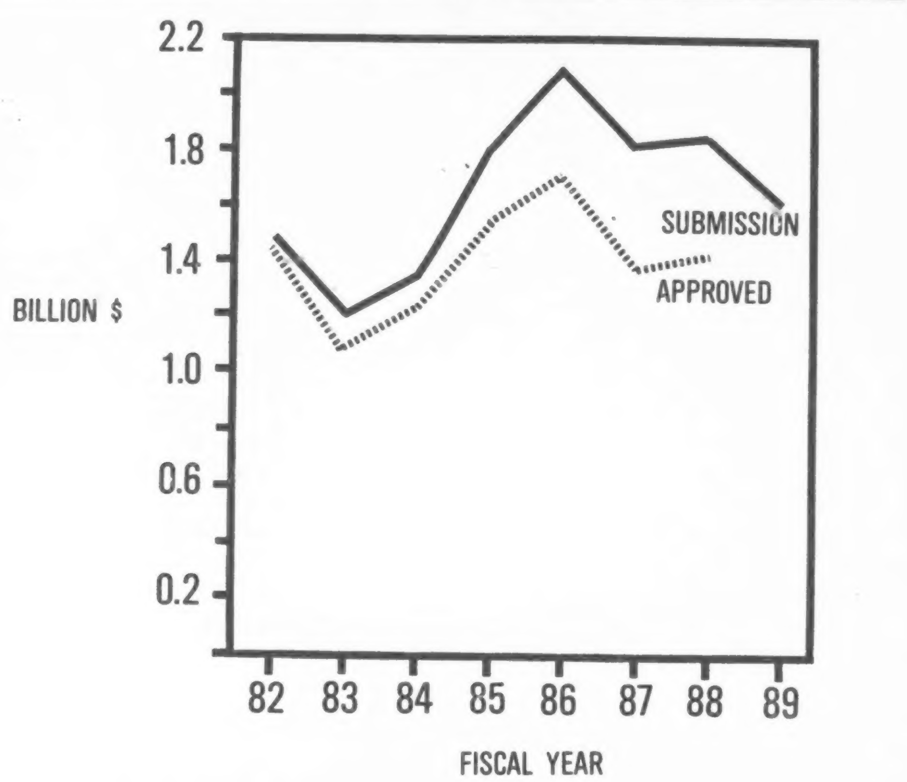
Competition between public and private shipyards and aircraft depots continues in fiscal year 1989, resulting in further decreases in the cost of performing depot rework and maintenance.

Aircraft and other depot maintenance backlogs are projected through fiscal year 1988 and through the fiscal year 1989 amended budget submission, while the ship maintenance program continues to reflect zero executable backlog. The 1988 and 1989 aircraft and weapons system depot maintenance and modernization backlogs of $212 million and $328 million, respectively, are primarily the result of reductions sustained during congressional action on the fiscal year 1988 budget and will have some impact on fleet readiness as seen by increasing numbers of aircraft overdue for maintenance and engines not ready for issue. However, these budget estimates reflect again an acceptable risk.

In our military contruction program, the fiscal year 1989 amended budget submission of $1.6 billion represents a $194 million increase over the 1988 appropriation.

While the overall Navy budget decreased by 3.7 percent from 1988, the MILCON increase of 14 percent is a clear indicator of the high priority we have placed on military construction.

MILITARY CONSTRUCTION
DEPT OF NAVY



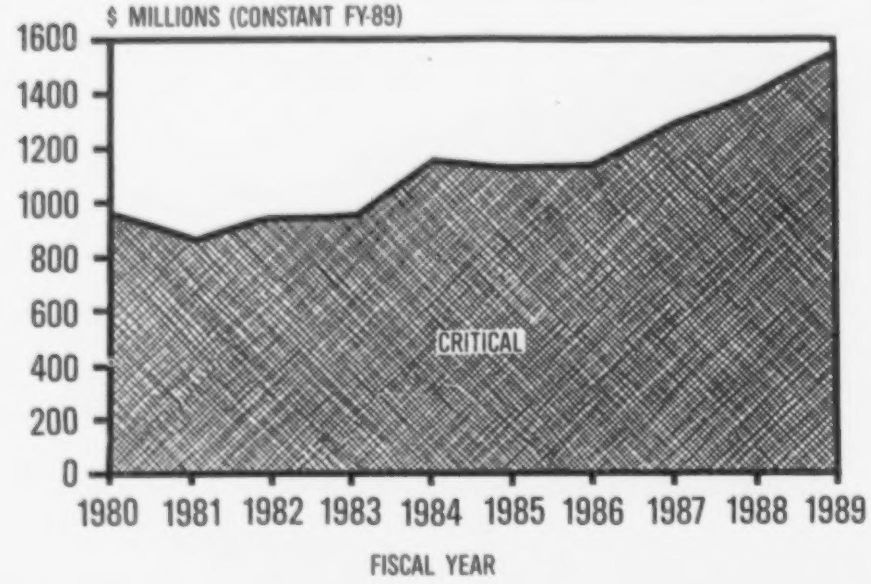
Although the increase over last year can be considered a success story, it nonetheless falls short of our needs to keep abreast of what appears to be an insurmountable backlog of essential requirements to replace and modernize our shore facilities.

Reductions at the 20-percent level, as experienced the past 4 years, would be devastating. We simply cannot support our required readiness posture and effectively use and protect our existing assets if adequate funding for MILCON is not provided.

In family housing, the quality and dedicated personnel of today's Navy are indeed our most valuable asset. The increased percentage of this valuable force that is now married and fulfilling family responsibilities places an even greater importance on family housing as a factor in the retention of these highly skilled sailors.

Beginning with last year's budget we started on our plan to eliminate the 20,000 housing unit deficit through a combination of military construction and long term lease construction under the section 801 program. The fiscal year 1989 budget request contains the second year of this plan, while ensuring that sufficient resources are also available to properly operate and maintain existing inventory.

BACKLOG OF MAINTENANCE AND REPAIR (BMAR)



The deteriorating condition of our shore establishment continues to be a prime concern. Shortfalls in real property maintenance funding will result in a shore establishment that is less ready to provide vital logistic support to a more sophisticated fleet. The Navy initiated the Shore Facility Life Extension Program as a means to prioritize and correct the poor conditions of the shore establishment that most adversely affect operational readiness.

Budget constraints have prevented us from submitting the substantial increases that we had planned. Not only will we be unable to make the essential repairs already identified, the condition of the shore establishment will continue to slide.

In summary, improvement in both readiness and sustainability has been substantial. As the CNO has said, the Navy today is more ready than ever to fulfill the Nation's commitments. The challenge for us in the years ahead will be to sustain these high levels we have achieved through prudent balancing of our scarce resources. We look forward to working with you on those issues.

I thank you sir.

[The prepared statement of Admiral Arthur follows:]

STATEMENT OF

VICE ADMIRAL S. R. ARTHUR, U. S. NAVY

DEPUTY CHIEF OF NAVAL OPERATIONS FOR LOGISTICS

Mr. Chairman and distinguished members of the committee, I appreciate the opportunity to appear before you to report on the level of readiness and sustainability of our Navy today and specifically to address the points covered in your 17 February letter to me. While we have rebuilt our forces toward the 600 ship Navy goal, we have simultaneously achieved substantial increases in our ability to go to war today and to sustain deployed forces during a prolonged conflict.

Today, our forward deployed naval forces are consistently in a high state of readiness. They are available on short notice and they are capable of sustaining operations during times of conflict. They provide the National Command Authority our most survivable military deterrent and flexible warfighting force. This flexibility enables Navy to respond across the spectrum of possible crises and conflicts, from peacetime overseas presence to anti-terrorist responses and, should deterrence fail, to war. This high state of readiness - the payoff from seven years of increased resources - must be sustained; we must find ways to afford it, given the currently funded minimum capability force levels.

To accomplish our varied missions, Navy requires trained personnel, forward deployed in the proper types and numbers of ships and aircraft. To operate as a ready-to-fight unit, in top combat condition, our deployed forces also need ordnance, spares, facilities, and maintenance support. I will address each of these elements later, but first I'd like to show you some indicators of our readiness to go to war today and of our ability to sustain combat operations if required.

Our present system for reporting unit readiness provides unit commanders with guidance and formats to report a unit"s ability to perform its assigned missions based on the status of integrated logistic support inputs -- personnel, equipment, supply support, and training. It does not address all elements which impact readiness throughout the Navy, such as intermediate maintenance capability and status of fleet support activities. However, the system does provide a status report that enables the National Command Authority, the Joint Chiefs of Staff, the Unified Commanders, and the Services to identify which units are ready at a particular time to perform the wartime functions for which they are designed and organized. Figure 1 shows the trend in reported readiness since 1981. The overall readiness of our ships and aircraft has improved by 102% and 265% respectively.

Navy has developed other measures of readiness that are indicators of the material condition of our aircraft and ships. Aircraft material readiness is measured by Mission Capable (MC) and Full Mission Capable (FMC) rates based on actual maintenance data. MC/FMC rates, which provide a detailed history of aircraft condition and material readiness over time, measure the percentage of time an aircraft is able to perform at least one of its missions. Figure 2 shows that the aircraft material readiness trend, as measured by full mission capability, has improved 66% since 1981. This readiness indicator is responsive to changes in resource levels, albeit with a year or two delay, and accurately reflects trends. Despite reduced funding levels in the past two years, Figure 2 shows a 20% increase overall in aircraft readiness funding since 1981. Some of the reduced funding support in 1986 and 1987 has been offset by improved depot maintenance efficiency and the Buy Our Spares Smart (BOSS) program. Recognizing the beneficial impact of these initiatives, there is still a strong correlation between the level of resources applied and the material readiness that results; consequently, we project aviation readiness will decline slightly in the next few years.

Ship material readiness is measured in terms of the amount of operating time a ship is free of mission degrading equipment casualties. These casualties are reported by all ships on an as-occuring basis. Figure 3 shows that the trend of time-free of mission degrading equipment casualties for surface ships has improved about 69% since 1981. Readiness funding for ships has increased 20% during this time frame. The recent reduction in funding with a continued increase in readiness is a result of many maintenance and support efficiencies including readiness based sparing, shorter and less frequent depot availabilities, BOSS, and improved depot efficiency. Investment in our manpower accounts over the last seven years has paid major dividends in overall personnel readiness improvement of our ships and aircraft squadrons. Ship and submarine personnel readiness has improved 84% over the FY-81 level, and aviation squadron personnel readiness has improved 112% during the same time frame as shown in Figure 4.

Many factors affect these measures. As the quality and quantity of our manpower and the funding for readiness items such as spares and maintenance increased during the early and mid 1980s, readiness improved. Although our efforts to define the relationship between specific resource elements and overall ship and aircraft readiness are continuing, we know that a balance of many resources — manpower, spares, maintenance, facilities, etc. -- is required to maintain and improve readiness. The readiness level we are achieving today is the highest it has been in the recent past, but continued strong Congressional support will be required to preserve that level.

Turning to sustainability, our ability to sustain deployed forces during conflict is good and is improving. The substantial resources applied during the early and mid 1980s have increased our previously depleted stocks of ordnance with the types of munitions that will be required to fight today's war. Figure 5 shows the improvement in munitions sustainablility by comparing assets projected to be in bin by the end of the FY-88 funded delivery period with the levels in FY-81. These improvements are impressive but they must be viewed in the context of the depleted stocks that existed in 1981. Additional funding is needed to achieve the level of ordnance that will be required to sustain a protracted conflict.

Before I address the specific points you raised in your letter, I'd like to emphasize that we are talking about readiness and sustainability today, which are but two pillars in our total program -- the other two pillars being force structure and modernization. The Navy program is a balance of these four pillars and a balance of enhancement of today's forces with the needs of the future. It has been balanced during the build-up to the 600 ship Navy, it is balanced in the FY-88 budget and our FY-89 Amended Budget Submission. Readiness and sustainability comprise about 65% of the Navy's FY-89 budget. Within this balance, we have increased our ships from 491 in FY-81 to 580 by the end of FY-89. We have improved the capabilities of our ships and aircraft through modernization, while readiness has increased. Based on the budget submitted, and if we can sustain modest growth from FY-89, we will be ready and will have staying power.

Supply Operations

We have continued to see improvement in the overall management of our supply inventories during the past year.

Contracting initiatives begun in FY-83 continue their impressive returns, having produced cost avoidances totalling $1.3 billion through FY-87. Breakout and competition have been internalized and are the "way we do business" today.

Upgrades to our ashore and afloat inventory management systems are also paying off by reducing operating costs and improving inventory accuracy. Our new Inventory Control Point computers are working well. New Supply Center computers will enter program test phase this year. We are confident that they will provide the asset visibility and control desired. Our telecommunication network bridging each one of our supply activities is taking shape. This major DOD initiative will begin to return substantial benefits in the early 1990's. In this budget we will continue investing to achieve improved productivity and control wherever our inventories reside.

Spares

The FY-89 spares program is the absolute minimum level of resources necessary to maintain current readiness and sustain our investments of the 1980's. We have incorporated no readiness improvements in our request. Compared to previous submissions, the FY-89 proposal reflects an increased, although acceptable, level of risk. However, we believe the FY-89 spares profile assimilates a prudent and balanced response to the minimum essential requirement.

When this Administration took office, aircraft carriers were forced to share spareparts so that deployed carriers could meet operational requirements. In fact, there were only enough spares to fully outfit seven carriers. With this budget we will have bought enough spare parts to fully outfit all carriers so they could, if necessary, all deploy simultaneously.

In the planning and execution of the Navy Stock Fund program for FY-89, particular attention has been given to a tight cash posture and an acceptance of an appropriate level of risk. All efforts are being made to prudently avoid excess cash and Navy Stock Fund pricing has been adjusted downward in both years to incorporate all projected savings.

Conventional Ammunition

Conventional ammunition procurement funds in this budget provide both initial combat readiness for peacetime training and initial unit fills as well as combat sustainability in the form of war reserve stockpiles.

Navy continues to reduce the cost of peacetime training. In FY-89 approximately fourteen cents of each procurement dollar will be used for training. For all ordnance expended, from both older stock and new procurement, the bill is $1.5 billion. This is 25% less than FY-83 costs. Training conservation equates to increased combat sustainability.

The FY-89 procurement continues to improve our combat sustainability. For example, torpedo sustainability has increased by 57% over inventories resulting from FY-84 procurements. In the case of surface missiles and cruise missiles there is almost a 100% increase, while air-to-air missiles show a 68% increase.

Our current inventory of conventional munitions approximates $26 billion. Of this, the majority of our first line weapons are deployed in fully operational status in our deployers and overseas bases. Sophisticated weapons requiring periodic tests are expeditiously tested and returned to full service status. In the event of malfunction, a maintenance pipeline accommodates needs until the item is expeditiously repaired. To assist and reduce down time we constantly review failure rates to increase times between test.

Depot Maintenance

Depot maintenance is another major contributor to readiness and sustainability. It is Navy policy to perform repairs and maintenance at the lowest practical level -- aboard ship if at all possible or at intermediate maintenance activities in the fleet. Repairs that cannot be performed at these levels are performed at the depot level -- shipyards, aviation depots, ordnance stations, and at contractor's plants.

A large portion of our depot rework and maintenance program is accomplished by industrially funded activities. This budget submission reflects a continuation of our efforts to improve efficiency and productivity and, thereby, reduce the cost of performing work at our industrial plants which were begun in FY-87.

Competition between public and private shipyards and aircraft depots continues in FY-89, resulting in further decreases in the cost of performing depot rework and maintenance.

Aircraft and other depot maintenance backlogs are projected through FY-88 and the FY-89 ABS, while the ship maintenance program continues to reflect zero executable backlog. The FY-88 and FY-89 aircraft and weapon systems depot maintenance and modernization executable backlogs of $212.3 million and $328.4 million, respectively, are primarily the result of reductions sustained during Congressional action on the FY-88 budget and will have some impact on fleet readiness as seen by increasing numbers of aircraft overdue for maintenance and engines not ready-for-issue. However, these budget estimates reflect an acceptable risk.

Aviation Depot Maintenance

In the area of aircraft depot maintenance, management initiatives undertaken to reduce costs are continuing. As I mentioned, our amended budget reflects some backlogs in FY-88/89 which resulted primarily from Congressional adjustments in the O&M accounts, which we will attempt to manage with minimal readiness impact. Our aircraft modernization line reflects growing backlogs into FY-89, but these are due in large measure to tremendous improvements in the timely execution of our modernization contracts.

The depot maintenance cost reduction goal set for FY-87 - $136M - were met and the goal for FY-88 - $200M - is on target. A major thrust of our corporate business plan toward achieving these goals is our public-private competition initiatives. The air depots are due to award the first two competitions for F-14A Tomcat depot maintenance and P-3 Orion Update III modification programs this spring. We are hopeful that even greater savings can be realized through these efforts. We are moving rapidly ahead to realize the President's stated goal of a 20% increase in industrial productivity by 1992. We anticipate meeting this goal.

Ship Depot Maintenance

Turning to ship depot maintenance, as we told you last year, we have moved from the 1970's era, where major overhauls occurred every three years, to one in which major overhauls typically occur every 6-7 years. In this maintenance strategy, short, selected restricted availabilities (SRAs) or dry-docking selected restricted availabilities are interspersed between overhauls. With some classes of ships under the Phased Maintenance Program, we have eliminated overhauls entirely by using short "availabilities" to maintain their material readiness; the ships in this program are not scheduled at all for lengthly modernizations. Under the Progressive Overhaul Plan, the OLIVER HAZARD PERRY and PEGASUS class ships were designed to operate for about ten years between major modernization or conversion. In the interim, maintenance is accomplished during selected restricted availabilities.

The Navy's FY-88 program provides for overhaul of 27 ships, including one carrier, 14 surface combatants, 8 submarines, and 4 other ships. The FY-89 Amended Budget requests funds for major overhauls of 23 ships, including 11 surface combatants, 4 submarines, 8 other ships, and 158 short availabilities.

Military Construction

Our FY-89 Amended Budget Submission for Military Construction of $1.6 billion represents $194 million increase over the FY-88 appropriation. While the overall Navy Budget decreased by 3.7% from FY-88, the MILCON increase of 14% is a clear indicator of the high priority within the Navy that has been placed on Military Construction. There is recognition at all levels of the relationship between operational readiness, sustainability, and quality-of-life improvements supported by the Military Construction program.

Although the increase over last year can be considered a success story, considering current budget and funding constraints, it nonetheless falls short of our needs to keep abreast of what appears to be an insurmountable backlog of essential requirements to replace and modernize our shore facilities. With the Congressional deferral of over $400 million of the FY-88 request and a reduction of over $200 million in the amended FY-89 submission, over $600 million of essential projects originally in the FY-88/89 biennial budget have had to be deferred to future years.

These deferrals, coupled with the Congressional deferral of over $1 billion in Navy military construction projects in fiscal years '85, '86, and '87 (Figure 6), have resulted in a "must have" FY-89 MILCON budget request. Reductions at the 20 percent level, as experienced the past four years, would be devastating. We simply cannot support our required readiness posture and effectively use and protect our existing assets if this level of MILCON reductions continues.

We are requesting about $1 billion, 65% of the program, for base modernization and $563 million, 35%, for force structure (Figure 7). Continued emphasis is being placed on the quality of life as demonstrated by a $20 million increase in this area to $173 million.

The Strategic Homeporting program, which will reduce overcrowding in existing ports, improve battle group integrity, and provide for strategic dispersal, has been requested at $207 million including $39 million for Naval Station Staten Island; $95 million for the Gulf Coast home ports at Pensacola, Mobile, Pascagoula, Lake Charles, Galveston, and Ingleside; and $73 million for Naval Station Everett.

In developing the FY-89 budget for the Strategic Homeporting program, the Navy was particularly sensitive to previous Congressional guidance to stretch out construction funding. Our proposed FY-89 budget defers some projects previously included in the budget submitted last year, but properly balances construction schedules, current ship arrival targets, and funding constraints. Although previous project deferrals have disrupted construction schedules and packaging plans, placing increased inflationary pressures on this program, facilities essential to activation of the new home ports are still accommodated within original program estimates.

Over the past two years you have received detailed testimony in regard to the urgent need to relocate our Naval complex from Naples, Italy. This relocation is for improved fleet Command, Control, and Intelligence activities to improve the readiness of the Sixth Fleet. Due to the seismic threat, catastrophic loss of life and destruction of the existing Sixth Fleet Command, Control, and Intelligence Center could occur. This year's request was based on full authorization of the C3I building at our preferred location of Capua. In responding to Congress on alternative plans we have recommended partial relocation to Capodichino Air Base in Naples. Details of this plan have been provided to your committee by seperate correspondence.

Family Housing

The quality, dedicated personnel of today's Navy are our most valuable asset. The increased percentage of this valuable force that is now married and fulfilling family responsibilities places even greater importance on family housing as a critical element in the retention of highly skilled sailors and proper care for their families. Unfortunately, many Navy families, particularly our junior enlisted, are unable to find suitable affordable housing in the high cost coast urban areas where most ships are homeported. As a result many involuntarily separate from their families or commute extremely long distances, and family budgets are strained when service members deploy and the families have little opportunity to use child care centers, commissaries and other base services. With successive VHA caps and escalating housing prices, few junior enlisted can enjoy a reasonable standard of living.

Beginning with last year's budget, we started on a plan to eliminate the 20,000 family housing unit deficit through a combination of military construction and long-term lease construction under the Section 801 program. The FY-89 budget request is the second year of this plan to satisfy the family housing requirement, while ensuring that sufficient resources are available to properly operate and maintain the existing inventory.

Real Property Maintenance

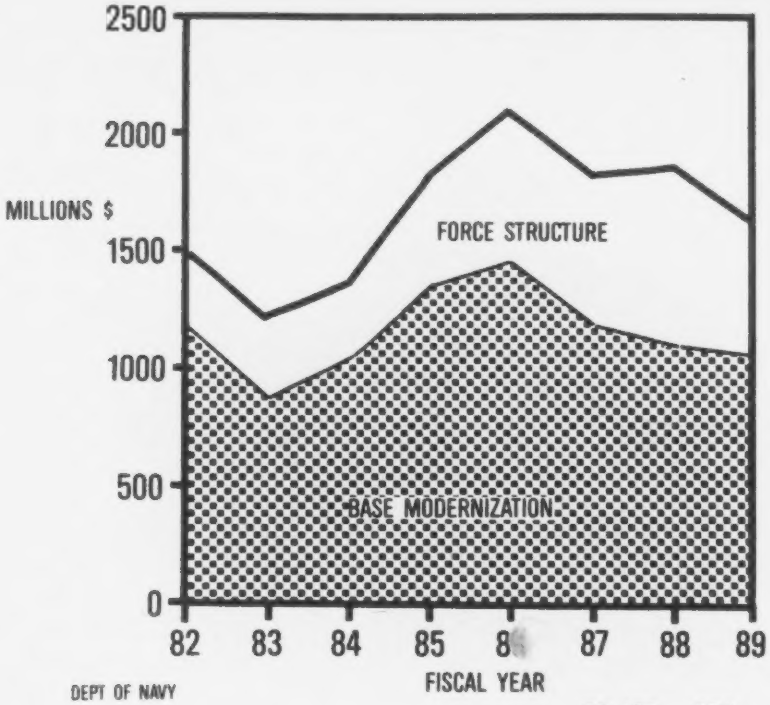
The deteriorating condition of the shore establishment continues to be of prime concern. Shortfalls in Real Property Maintenance funding will result in a shore establishment that is less ready to provide vital logistics support to a more sophisticated fleet.

The Navy initiated the Shore Facility Life Extension Program as a means to prioritize and correct the poor conditions of the shore establishment that most adversely impact on operational readiness. Central to the success of this program is the availability of Real Property Maintenance funding to correct the identified deficiencies. Budget constraints have prevented us from submitting the substantial increases that we had planned. Current Real Property Maintenance funding levels have little left for major repairs after fixed ownership costs and minor construction to support mission requirements are paid (Figure 8). Not only will we be unable to make the essential repairs already identified, the condition of the shore establishment continues to deteriorate (Figure 9). The Navy will experience significant reductions in operational readiness, capability and morale as runways/taxiways are temporarily closed, ship homeports are temporarily reassigned due to inadequate dredge depths, and utility outages increase.

Summary

To summarize, improvement in both readiness and sustainability have been substantial. As Admiral Trost has said, Navy today is more ready than ever to fulfill the nation's commitments. The challenge in the years ahead will be to sustain the high levels we have achieved through prudent balancing of our scarce resources.

CONGRESSIONAL SUBMIT
FORCE STRUCTURE VS BASE MODERNIZATION



DEPT OF NAVY

Figure 7

MAINTENANCE OF REAL PROPERTY (MRP)

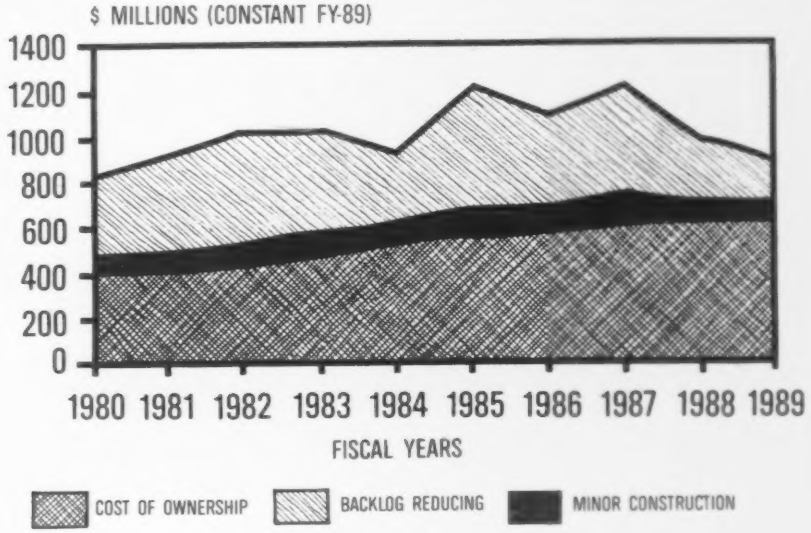


Figure 8

Senator DIXON. I thank you for your conciseness and your brevity, Admiral Arthur. And we would appreciate it if you would make those charts available for the record. And if it is satisfactory with my colleagues, we will follow an early bird rule and recognize Senator McCain and then Senator Thurmond for questions.

The Senator from Arizona.

Senator MCCAIN. Thank you, Mr. Chairman. I want to thank the witnesses for not only their written statements but for some very frank and candid statements in their oral testimony. I wonder if the witnesses have had an opportunity to see the GAO letter dated March 21.

Senator DIXON. May I say to my distinguished friend we did make that letter available to every one of the witnesses and told them there would probably be questions about it.

Senator MCCAIN. Thank you, Mr. Chairman.

First of all, I was slightly amused at Mr. Ferber's preamble where he said the underlying theme is that there is a need for a better up front determination of what to buy and how much. I could not agree with that more. It is a little difficult to determine how much of what to buy if you do not know what your budget is.

I do not know of any family in America that knows how to determine what to buy for their homes if they do not know what their ability to purchase that is going to be.

But as in keeping with every other GAO report I have ever seen, I have never seen any criticism either real or implied of the activities of Congress. Perhaps that has something to do with who they work for. [Laughter.]

But there are some very serious questions raised in this report that I am glad that all of you have had a chance to read it.

First of all I would like to ask General Hansen, you stated that you are going to physically count the backlog.

COUNTING THE BACKLOG

Does any information that you have indicate that you have got $40 billion in pipeline stocks for your share of that? There is nothing wrong I guess with $40 billion in pipeline stocks. As startling as that number might be, if they are required, but it says that the DOD also stated that it believed that it could substantially reduce them. Is that your view as well?

General HANSEN. No, it is not, Senator. First of all, I also read that report with amazement. And I must say that I nonconcur with the analysis and I find the methodology they used in many cases to be flawed.

You know, I will be the first person to agree that when you make a budget estimate 2 years prior to the budget, you are going to have some gives and takes, some pluses and minuses. And I found it rather interesting that the GAO elected only to take the pluses. And it did not address any of the minuses that historically we have found have evened out.

And also, the report says that the Air Force had excessive spares that they were buying and it also did not acknowledge the fact that in 1987 we were only funded at 90 percent of the peacetime requirement. In 1988, it was 97 percent. And I also find it hard to come to grips with the fact that when you buy a spare on the 15th of September of one fiscal year that you can characterize that as not being required until next year, when next year starts in 15 days, on October 1, and that was part of the characterization also.

Now in several of my trips over here in directly addressing the pipeline issue, I've said there is an increase in administrative lead time. And we all recognize that as a result of all of the acquisition legislation that came on that there would be an increase in the amount of time it takes us to get on contract.

Senator MCCAIN. But before you proceed off what you were addressing, how does that jive with the DLA statistics later on in this report that says that there are no demands in the previous year for 14 percent, no demand in the last 2 years, for about 29 percent.

General HANSEN. Well, I have not taken, I have only addressed those portions that directly affect the Air Force. I do not know if those figures are correct. DLA would have to address that themselves.

But there are always items that you buy and, there may be a small percentage that you may not have a demand on for some period of time. But that is not to say that that part is not needed.

Senator McCain. Would 29 percent seem to be too large a percentage?

General Hansen. I would think in my case it would be extremely high. Also, the GAO forgets that they did a report about 3 years ago and beat all the services up because we were putting too much stuff in salvage. And they said that in the lifetime of the part, it might have some utility later on, and so we are all keeping everything nowdays.

MASSIVE INVENTORIES

And we are ending up with these great big massive inventories of items that may have some use sometime in the life of the weapons systems. A good example is the Titan missile. The Titan missile was phased down by the Air Force, but it is still being used for NASA in space shots. I have got all of the spare parts for the Titan in my inventory right now. But they are going to be used by the United States Government.

It would be absolutely ludicrous for me to put those parts out in salvage when there is a need for them. Now GAO needs to be a little more specific when they go in there and talk about excess inventories, because the stuff that we have in our warehouses has utility somewhere in the life of that particular part. And they cannot tell us one year to save it, then the next year to turn around and criticize us because we saved it.

That is the case I am in. I do not know about Lou and also Stan, but we have got stuff in our warehouses that may not be used, but within a year or so, it will have some use somewhere along the line, to this Nation.

Senator McCain. Would the other two witnesses care to comment?

General Wagner. On that particular aspect, I have the same problem. I have had an increase in the stockage in the warehouses. A lot of that has been because by the introduction of new systems into my inventory. Admittedly, we make mistakes on estimating what spare parts we are going to use in the first 2 years of the fielding. We make the best engineering estimates that we can on that. But, there would be nothing worse than to field an M-1 tank, for example in Europe, and not give it the spare parts to keep it operating.

So we have gone on the heavy side of that to make sure that we have those spare parts that we may need. We find by experience then that those we do not have demand for go back into the warehouses and are stored. But in the meantime then, we adjust our spare parts supplies for future years so that we do not continue to buy.

I have also had a large buildup as the older systems have flowed down into the Guard and the Reserves, and into the war reserves. Because they are not utilized as much, you do not have as great a demand for the spare parts and they build up.

Finally, we have a lot of spare parts that are still required because of the many FMS cases we have around the world that may eventually have to be supported. Again, it would be ridiculous as

General Hansen has said to declare those excess and then not have them available if there are demands for them among our allies.

Senator McCain. Admiral Arthur.

Admiral Arthur. The part of the report or the cover letter that intrigues me the most was the fact that there was some acknowledgement that we do not purposefully order excess material. I am glad to get that resolved once and for all.

Senator McCain. It is just a question of how much you pay for it. [Laughter.]

Admiral Arthur. There are several items there that we do indeed need to take a closer look at. I do not have the visibility this morning on the statistics that they quote from DLA, but since I am a very heavy subscriber to a lot of stock parts in DLA, I need to take a look at that. I would be very surprised to see that we have that level of difficulty residing in General Russo's storehouses.

We do know that there are some indications that the government furnished materiel we provide to contractors may be more than is required. The Navy audit service has already been on the trail of that and is due to get to me next week so that we can sit down and systematically take a look at exactly what is considered excess government furnished materiel at these contractors.

We do not have our hands around it altogether but I think part of it may be just a terminology issue. In other words, we have bet on the come to put parts there in case something arises so that we do not have to go into a last minute flurry of activity to ship something there at high cost. But we do know that there is some concern there, and we are looking into it.

General Wagner. I would like to add something sir, if I may.

The Army does not disagree with some of the findings in this report, and we are taking action to fix those. In fact, we told them what our problems were and what we were doing to fix them.

For example, we have concentrated most of our inventories on items that we know are a problem and that are going to give us worse statistics than if we looked across the board. But we have made the decision now that we are going to have a mix of random inventories, along with scheduled and unscheduled inventories.

Where we really get into a problem, however, is where do we put our effort. Some of the stats that they come up with, for example, had a lot on inventory adjustments in my Tank Automotive Command out in Detroit. They said that we were only looking at a small number instead of the major number.

The problem that I have is the limited resources to do those inventories and make those adjustments to get the highest dollar items corrected. If you took the major items that they looked at, and I think it was 330 items, worth about $453 million, their complaint was that we did not count as discrepancies and correct those items that were under a value of $800. If you took all of those that were under $800 and added them up, that came to a total value of about $28,050, two-tenths of a percent of my problem.

We have concentrated on the major items that are the big dollars that we think we have to control. I believe that we are in sync with the Department of Defense and we are working with the GAO to see if we can come to some accommodation in this arena.

Senator **McCain**. I appreciate the comments of all of the witnesses. I would like to emphasize that the committee and its sentiments, which are very strongly supportive of what you are trying to do in a proper funding level, does not necessarily reflect the view unfortunately of the majority of Congress. And documents like these can be extremely damaging to this subcommittee's efforts to provide you with the adequate level of funding. There is already the $400 toilet seat, and the $200 hammer and all of those stories out and about.

So I would suggest that you provide this committee and other committees which will be asking you about this report, with as full and complete information as you can provide. And in addition, the measure that you were already taking to try and rectify any existing problems because I do not think it is the way that we want to do business to wait until GAO identifies a problem area for you before you take action to correct it.

[The information follows:]

INVENTORY ACCURACY

General **Wagner**. The General Accounting Office (GAO) reported to the Congress on Inventory Accuracy in November, 1983. The Army Materiel Command (AMC) initiated the Physical Inventory Program Enhancement (PIPE) Plan as an outgrowth of that report. Consisting of 14 major elements, the PIPE Plan addressed all areas of the inventory accountability program: Research, quality control, computer support, location survey, policy and regulatory guidance, transaction posting, inventory scheduling, training, personnel turnover, and management compliance reviews. Each of the GAO's concerns was addressed by the plan and significant improvements to our inventory program were made.

In 1986 and 1987, the GAO revisited the Army to evaluate our progress in improving inventory accuracy. On 9 October 1987, the GAO published their report on Army Inventory Management, Inventory and Physical Security Problems Continue. A major portion of the report dealt with inventory accountability within AMC. The physical security problems referred to in the title were not identified in AMC, therefore, I will not address those portions of the report.

For their audit, the GAO chose the U.S. Army Tank-Automotive Command (TACOM) and the New Cumberland Army Depot (NCAD) as representative of AMC's inventory program. The TACOM and NCAD are not "typical" as an Army inventory control point and an Army depot. They each represent the busiest Army activities of their types and are engaged in major Army modernization programs—Force Modernization and Area-Oriented Depot (AOD) Modernization—making accountability functions highly complex.

During fiscal year 1987, TACOM maintained 108,987 accountable balances, processed 255,022 receipt transactions, and processed 1,570,770 materiel release orders. New Cumberland processed 497,186 receipts, processed 2,495,246 materiel release orders, and stored 282,430 lines during fiscal year 1987. In addition to their normal depot operations, NCAD also processed 2,563,484 receipts and issues as a shipment consolidation and containerization point in the same year. New Cumberland also consolidates materiel fielding packages, receiving 58,631 lines and shipping 47,768 lines in fiscal year 1987 as a part of that function. Stock control and accountability functions at TACOM and NCAD are extremely difficult with such large volumes of materiel movement.

REPORTED INVENTORY ACCURACY IS MISLEADING

The GAO selected a sample of 330 stock numbers managed by TACOM and stored at New Cumberland and inventoried those items to determine the accuracy of Army inventory records. Their conclusion was that our inventory effectiveness indicators are misleading and do not reflect the degree of inventory inaccuracies that exist. Based on their assessment, GAO feels that we may not have complete and accurate information for making important inventory decisions.

Because of the complexity of our business and the importance of the accuracy of our records, we prepare and submit the Inventory Control Effectiveness (ICE) Report quarterly to the Department of the Army (DA). That report contains six significant performance indicators, which, when taken together, do provide a balanced picture of the strengths and weakness in our accountability program.

The first measure is the materiel release denial rate, currently running just above the DA and DOD goal of 1.0 percent. Denials are one of the first measures you can use to guage the impact of our accuracy on the Army in the field, and 1 percent is a very stringent objective we have set for ourselves. Our denial rate was below the goal from fiscal year 1981 through fiscal year 1985. In the past 2 years our denials went up to 1.2 percent, but they are improving again and are now within 0.05 percent of the goal for the first quarter of fiscal year 1988.

The next indicator is the percentage of receipts which are posted to record and stored in location within 7 days (procurement receipts) or 10 days (field returns). DOD has just raised this goal to 90 percent for fiscal year 1988. Our performance has been consistently above the goal of 85 percent since fiscal year 1981. Factors which have caused our receiving performance to fall are: rising receipts in support of our Force Modernization program, increasing numbers of items being returned from the field, personnel reducitons, and increasingly over-crowded storage conditions. Increasingly austere resources will not help our efforts to bring our performance in receiving in line with our new objective.

Location survey accuracy, the third indicator in the ICE Report, measures the degree of agreement between depot locator records and the materiel in the warehouse. Our accuracy has been above the goal of 97 percent for the past 2 years. Maintaining this level of performance within current funding levels and with existing over-crowded storage facilities is a continuing managmement challenge.

The fourth performance indicator on the ICE Report is Location Reconciliation Accuracy. An annual comparison of depot custodial records and inventory control point accountable records is required by DOD. The required comparison includes stock number, condition, and critical elements of cataloging data. In AMC we add the on-hand balance to the comparison—and reconcile our records quarterly. Going to this extra effort alerts us to imbalances between depot and inventory control points, and identifies catalog data errors for correction. By reconciling quarterly, our balances will not remain out of "sync" for more than 90 days. Programming problems in our Commodity Command Standard System (CCSS), which supports the inventory control points, have caused our location reconciliation accuracy to fall since fiscal year 1982. By thorough testing and error identification by system users, the system is being corrected. Our performance has been steadily climbing for the past quarters and we hope to meet the goal of 97 percent accuracy for second quarter, fiscal year 1988.

The performance indicator that GAO has described to be "misleading" is the Inventory Accuracy. Perhaps the only thing which is misleading is the term. By DA and DOD direction, only major variances, i.e., adjustments valued at more than $800 are included in the calculation of our accuracy. We agree with this direction because we must focus our attention as well as our resources on significant problems. The goal for inventory accuracy was raised from 85 percent in fiscal year 1986 to 90 percent. At the same time that the goal was raised, our resources for performing inventories began to drop and fewer inventories are now being performed.

Because our techniques for identifying problem items for inventory are accurate, we are counting known problems more consistently and correcting our accountable balances a greater percentage of the time. There may never again be sufficient resources to perform wall-to-wall inventories of DOD storage activities, therefore, we must count those items which we know have inaccurate balances.

The AMC methods of identifying items for inventory are: items experiencing denials, errors highlighted by the quarterly location reconciliation, and items with high issue frequency for the prior year. If our scheduling technique were perfect we would could only those stock numbers with errors and our inventory accuracy would approach zero. We are not trying to "look good" on inventory accuracy or we would not have adopted our scheduling technique. But we feel that we must use this technique, or one comparable, to maximize the benefit of the dollars we spend on counting, researching, and adjusting inventory records.

The GAO found that TACOM was resolving inventory variances by reversing previous gain or loss transactions, rather than posting an inventory adjustment. The AMC, DA, and DOD policies prohibit reversing transactions more than one year old, or prior to a previous inventory. The AMC Inventory Control Effectiveness Review Team, an on-going compliance review program, identified this practice and directed TACOM to discontinue improper reversals. To the extent that TACOM reversed transactions rather than posting adjustments, AMC inventory accuracy was overstated.

In the DOD response to the GAO report, DOD stated that reversal policy, as currently written, can be misinterpreted and the lack of clarity of procedures will be corrected. The intent of reversal capability in stock control systems is to cancel an incorrect or inaccurate transaction, in order that the accurate transaction can be posted. This capability is valid and necessary to provide an audit trail from the correction to the original error.

The last performance indicator on the ICE Report is the gross adjustment rate, the dollar value of gains and losses to the accountable records, divided by the average dollar value of the wholesale inventory. The AMC gross adjustment rate has improved from 5.1 percent in fiscal year 1981 to 2.4 percent in fiscal year 1987, always below the goal. The DA/DOD goal was 10 pecent until fiscal year 1986, when it was lowered to 6 percent. Because this indicator puts the value of our errors in perspective by comparing the value of adjustments to the value of inventory, the gross adjustment rate may be the indicator the GAO should be watching. Meanwhile, we at AMC will be using all six indicators to manage our program.

IMPACT OF COMPUTER PROCESSING PROBLEMS ON INVENTORY ACCURACY AND REPORTING

The two areas in which the GAO identified computer problems were in our calculation of the 12-month moving average dollar value of the inventory on hand and in our quarterly Location Reconciliation. The inaccurate dollar value calculation occurred in two quarters, the problem was corrected, and the effects of the error "washed out" of the system by the end of fiscal year 1987. We will watch the dollar value carefully to identify any recurrence of that problem.

The problems in the quarterly Location Reconciliation were a serious concern and did adversely affect our performance statistics. Because the problem was taken seriously, the program was rigorously tested by a group of 10 to 15 users every quarter in 1986 and 1987. The major erros have now been identified, corrected, and the corrections have been tested. As a result of these efforts our performance has risen to within 0.3% of the objective. Three problems remain and are currently being resolved. We are optimistic that we will again achieve the DA goal when these "fixes" are in. May I remind you that although this reconciliation is only required annually, AMC reconciles quarterly to identify and correct problems more rapidly—providing a sounder base for material management decisions.

ARMY'S PROPOSAL FOR DEVELOPING A NEW INVENTORY SYSTEM

We, at AMC, have an idea for improving our inventory accuracy and the speed at which we process stock control transactions between the depot and the inventory control point. Our idea, "Inventory Modernization Concept," was the result of our constant desire to improve, not the result of "longstanding criticism," as stated by the GAO. The concept would improve the accuracy of accountable records by giving depots a direct link, perhaps a computer terminal to the inventory control point computer.

Receipt and adjustment transactions which originate at the depot could then be entered directly into the computer which maintains the accountable record. This idea could save at least a day of processing time by updating the depot and inventory control point records simultaneously, rather than the current sequential method. We hope to have an economic analysis of the concept made in the near future, so we may proceed if it proves to be feasible.

Another initiative is a new inventory scheduling model which will relate significant events in the life cycle to the timing of an inventory. Impending procurements and upcoming maintenance programs, as well as weapon system factors, would be included in the scheduler, to make the model more responsive to our requirements. These ideas are only representative of our constant efforts to improve the accuracy of our records and the efficiency and effectiveness of our automated systems—efforts which received only brief mention from the GAO.

INEFFECTIVE QUALIFY CONTROL

The GAO found that quality control reviews were not being made for many adjustments at TACOM and that TACOM was experiencing a 22-percent rejection rate on inventory adjustments. The importance of the quality control function is continually emphasized to our commanders and they provide a monthly summary and analysis of the results of these reviews. As recently as September 1987, we sent a letter to this affect to each of the inventory control points. Quality control is and will remain a key portion of our inventory accounting function. A compliance review identified the shortcomings in TACOM's quality control program and the problems have been corrected.

The "backlog of over 3,800 unidentified material receipts" identified by the GAO at TACOM does not accurately describe the situation on these items. Each of the receipts involved had been posted to TACOM's accountable records so that any loss of material would have been identified and investigated. The backlog was in identification of the proper National Stock Number for the transactions. The identification backlog has now been cut in half at TACOM and we will actively monitor the number and age of this backlog at all inventory control points

CAUSATIVE RESEARCH NOT IDENTIFYING CAUSES

The causative research program in AMC is achieving results and is identifying systemic problems. The results are not yet as good as we wish, but research has identified: a problem in recording the date of the last inventory, some transactions which are not being accurately considered by the quarterly reconciliation, and the possibility of duplicate National Item Identification Numbers with different Federal Supply Classes causing quantities to be added incorrectly.

A study has been initiated by DOD as a result of the GAO's findings in the Army and the other services. This study will address the effectiveness and efficiency of the research portion of the physical inventory program and may provide new ideas for further improvements.

ASSESSMENT OF INTERNAL CONTROLS

Internal control reviews have been added to the inventory program and an Internal Control Review Checklist for Physical Inventory was developed in 1986. Although the GAO found that New Cumberland Army Depot had not performed an internal control review, such a review had, in fact, been performed in 1986 and is only required every 2 years. Despite the fact that TACOM and NCAD assessed supply accountability as having low vulnerability, the Army's fiscal year 1986 Financial Integrity Act Assurance Statement did identify supply inventory as an area of known weakness.

UNSCHEDULED INVENTORIES DETRACT FROM OBTAINING A REPRESENTATIVE VIEW OF INVENTORY ACCURACY

The unscheduled inventories discussed by the GAO in their report are the conscious result of the Army's inventory model. The GAO noted that NCAD had performed fewer inventories—in an austere resource environment we cannot afford the luxury to inventory every item in our warehouses. As responsible managers we must concentrate on problems, we must inventory items we know have errors, and we must strive to achieve the maximum return on the dollars appropriated to us.

As I said before, we are not trying to "look good." We are trying to maintain accurate records—and the fact that we are counting problem items is not "an indication of inventory inaccuracy." It is an indication of intensive management of increasingly scarce resources, which we intend to continue.

In order to obtain a "representative understanding" of our accuracy we will implement a sample inventory each year. Our implementation of this sample is contingent on developing procedures through the Joint Physical Inventory Working Group, a DOD-sponsored forum for improving inventory accountability.

RECORD ACCURACY PROBLEMS AFFECT ALL DOLLAR STRATAS

The method used by the GAO to measure "record accuracy" is not the same as prescribed by DOD, which I have already discussed. The technique GAO used to measure accuracy between TACOM and NCAD reflected a higher level of accuracy than our method. Including nickel and dime items in the calculation of inventory accuracy does not make the resulting percentage a better management tool. Some of our indicators include only variances over $800. Some, such as the gross adjustment rate, include all errors. Taken together and evaluated by experienced managers, we have a balanced perspective of record accuracy.

DOLLAR VARIANCE INDICATES PROBLEMS WITH HIGH-DOLLAR ITEMS

Based on the GAO sample of 330 items, three high-dollar value items accounted for 84 percent of the total dollar variance and resulted in their conclusion. Errors were made at TACOM and subsequent causative research has identified the reason and reestablished proper accountability. But these three items illustrate how a numerically small number of units with a high unit price can drive the results of a small sample. The fact that high dollar value items have the higher percent of variance is a natural function of the unit prices of the items—not the result of the way the Army manages high-dollar value items.

UNIT VARIANCE SHOWS RESULTS SIMILAR TO DOLLAR VARIANCE

As stated in the GAO report, "the Army is not required to and does not report unit variance." Unit variance divides the quantity of an error by the recorded on-hand quantity. As a management indicator, unit variance would emphasize the importance of items with large quantities, which would normally be low dollar value items. The DOD response to the report pointed out that three items accounted for 52 percent of the unit variance, demonstrating the unreliability of unit variance as a management indicator. Again, the balanced picture provided by the six performance indicators on the DOD ICE Report provides the Army with the information we need to manage our program.

The Army Inventory Management report from the GAO identified problems in our inventory program, and we appreciate the effort they put into that report. The significant areas they identified are being addressed and we are acting on their recommendations, in some cases with DA and DOD.

Senator **Dixon**. Might I comment at that point to my distinguished friend from Arizona.

The fact is the House has already made some very strong responses to this letter which concerns some of us a great deal. And I think these are critical areas. People on this committee I think all would agree. I would like to suggest that you follow the advice of the Senator from Arizona and fill this record with every kind of response that you can to the six points that are made in this letter so that we have that as we evaluate.

Senator **McCain**. Thank you, Mr. Chairman.

Senator **Dixon**. It is my privilege to recognize the senior Senator from South Carolina.

Senator **Thurmond**. Thank you very much, Mr. Chairman.

First, I want to take this opportunity to commend you, Mr. Chairman, for holding this hearing. I think it is a very important hearing. I do not know of any work that is more time consuming and more important than what these gentlemen do here. And I want to commend you gentlemen for your dedication and the fine service you render to your country.

I just have a few questions here.

FISCAL YEAR 1989 BUDGET CUTS

Let us start with General Wagner. General Wagner, during the $33 billion cut in the original fiscal year 1989 budget, the O&M accounts were cut less than the investment accounts for procurement and RDT&E. Some people may take this as an indication that the O&M accounts are fat and well funded.

From your statement it appears that problems remain in readiness and sustainability. What would you say to anyone who suggested that the O&M account should be used as a source to restart, and fund terminated investment programs?

General **Wagner**. Sir, as the Army put its programs together, it put readiness as the first priority. And going along with readiness is sustainability. We have come up with the best balance we can on that. We had to take substantial cuts in procurement and in R&D. I also am responsible for those in the Army Materiel Command.

I believed that O&M cannot be a bill payer. That is exactly what has happened to us in fiscal year 1988 when we had bills that we did not foresee, such as CHAMPUS, the medical care that we needed for our soldiers and for our soldiers' family members. We cannot overlook that. So we paid for that out of OMA.

We had tremendous foreign currency fluctuation problems in the Army. That took a lot of dollars out of the OMA account. So we are not fat in OMA, and I would say that that would be the last place that I would take it if I wanted to sustain the Army and give it the capability to perform its mission.

Senator THURMOND. General Wagner, the major readiness measures, flying hours, steaming days and training miles, appear to be funded at either increased or level values. You appear to be doing this in spite of a 10-percent and 20-percent cuts in the O&M accounts.

The cuts must be coming from somewhere. What areas are being cut or sacrificed to continue these measures at these levels?

General WAGNER. Well, sir, in our fiscal year 1989 budget, we have tried to increase our ground tempo to 850 miles, that is a general measure of how far a track vehicle runs in training for a year. We have gone up to about 15.4 flying hours per month for our aircraft. We have fully funded these spare parts, so we can support these increases in that area.

The problem that we are going to have is what I pointed out in my earlier testimony in supply. I am not going to be able to ship those spare parts unless I can correct a deficiency I have of about $336 million in fiscal year 1989.

Senator THURMOND. General Wagner, either you or General Hansen can answer this question.

SPARE PARTS

The GAO has charged that the services have too many spares in the bins, and services should stop procurement actions. From the statements today and the policy statements, the military services appear to welcome the sight of bins that are once again full of spare parts. There may be attempts to cut spare parts funding to comply with the GAO charge.

What would be your opinion on such a cut recommendation?

General HANSEN. I personally would have to point out what has happened to the Air Force in the last 2 years. We did not fund readiness, or I should say, in 1987 and 1988 and we carry through in 1989. We are now living on the procurement actions of the last few years. And sooner or later, that is going to run out.

I would say that now is the time to go ahead and make a decision to start funding the sustainability because there is 2 year's lead time involved in getting the spare parts. And we are going to go through a terrible bathtub over 1989 and 1990 until we start getting our procurement accounts and spare parts back up to speed.

I would absolutely say that the wrong thing to do now would be to cut the spare parts any lower than they are. And once again, the claim that we have excess parts is simply not true. It is not true. They are not there. Not the parts that we need for a modern weapons system. There might be older parts there as a result of phasing down weapons systems.

In my particular case, the F-4 is phasing down and we do have some excesses in it. We are in the process of transferring those excess parts to the FMS countries that we are providing the F-4s under the Southern Region Amendment. And it happens to be Turkey, Turkey has a large request for spare parts which I presently show as excess, but parts which will be moving over to fund an ally.

Senator, I would say that it would be absolutely disastrous to try to take any spares dollars as a result of the past poor funding that we have had.

PERSIAN GULF OPERATIONS

Senator THURMOND. Admiral Arthur, the Persian Gulf operations are using funds that would normally be used to keep flying hours and steaming days around the world.

The DOD and the administration has chosen to absorb the funding needs rather than ask for additional funds, specifically for the Persian Gulf.

This choice means that flying hours and steaming days, thus training and readiness of other units may suffer, with the new force level scheduled into this area during fiscal year 1989, what are the projected costs for these operations for the next fiscal year?

Admiral ARTHUR. I would have to give you that number for the record, Senator.

As you correctly identified, we are taking those numbers out of hide now. The reason we have not programmed for those numbers is it is a contingency operation, and traditionally we have not funded or sent a bill forward ahead of time for contingency operations. So we are eating them out of our operating accounts on a daily basis. I believe the last number I saw was something like $12 million a month is what it is costing.

Senator THURMOND. Well, you can supply that for the record, if you would like to.

[The information follows:]

If the present force levels and the threat remains the same the incremental cost of the Persian Gulf operations will be approximately $10.5 to $12.5 million per month.

Admiral ARTHUR. It does cause us some concern about how long this will go on and at what level that will go. There has been some relaxation of the number of ships that we have had out there, and this always helps the O&M accounts.

Senator THURMOND. You have a projection as to how long we would be there?

Admiral ARTHUR. I have no idea, sir.

RAMP PROGRAM

Senator THURMOND. Are you familiar with the RAMP program?

Admiral ARTHUR. Yes sir, I am.

Senator THURMOND. That appears to be our most important program. Secertary Lehman was extremely interested in that.

Admiral **Arthur**. Yes sir, and we continue to have that interst in the program. I think you will see that in the 1989 submit there was some money missing from the account that resulted from a last minute budget decision we had to make.

The hit was unintended. I have indications, that we have now found the money, and we will be restoring it to the account to a level of, I think, in the neighborhood of $7 million.

Senator **Thurmond**. How much are you going to restore?

Admiral **Arthur**. I think $7.4 million is what was missing this year.

Senator **Thurmond**. In other words, you are still going, you are going to restore what was missing?

Admiral **Arthur**. Yes sir.

Senator **Thurmond**. I would certainly hope so. In talking with the military people, it seems this offer is one of the best hopes of getting spare parts and getting them quickly.

Admiral **Arthur**. Yes sir. There is great potential for this.

Senator **Thurmond**. In other words, when a war is on, you have to wait a year to get spare parts, you can see what a handicap you are under and under this program, Mr. Chairman, I understand that they can get spare parts in maybe 30 days that would normally take a year. So it is a very vital program. The Navy has been extremely interested in that. I am glad to hear you say that you think it is a good program and that you think it is beneficial, and you will make a recommendation to restore whatever funds are necessary to carry it on.

That is all I have Mr. Chairman. Thank you gentlemen, very much.

Senator **Dixon**. Thank you, Senator Thurmond.

INVENTORY MANAGEMENT

Gentlemen, without passing judgment on the degree of accuracy of the letter regarding inventory problems and things of that kind, I wondered whether I could get the observations of the three of you on that generic question of inventory management.

I was a member of Senator Wilson's inventory management task force during the 99th Congress. And then I was part of a subcommittee chaired by Senator Quayle that did a lot of work on computerization of some of our efforts. I think that was a thing largely supported by Senator Bingaman as I recall.

I wondered, are we continuing to evaluate this whole question of inventory management and how we are bringing about some modernization of this system?

General **Wagner**. Absolutely, sir. I can not speak for the other services, but in the case of the Army, this has been a major problem over the years. For many years, and in a lot of our depots today, you will still find that all of your inventory is done in a manual fashion.

We are working as quickly as we can to put in the LOGMARS system or bar coding system, which is not unlike what you see in the grocery stores today. You can pass by and inventory very accurately, without counting, everything on the shelf. We're even looking at microchip technology to put a chip in an item so that we can get a reading of what is in our warehouse and where it is at a given time.

We must use these modern techniques with the number of line items we have to keep track of. For example, in the Army there are about 415,000 different line items of equipment that we stock. There is no way that I can do this without the aid of the computer. You will find that we have traded off in other areas of Army Materiel Command to bring in automation. We need to speed this job. Unfortunately, some of it fell out in the current program, and I am trying to get that put back now because I can not exist without that capability.

Senator DIXON. Well I am pleased to hear that report. General Hansen.

General HANSEN. Yes. I really have a good news story in this area, Senator.

We put a tremendous amount of emphasis on inventory management. At the present time we are installing in all of our depots a totally automated system. It is up and running at two of our depots, at Ogden and also at Sacramento. And we are finding tremendous benefits. It not only keeps track of the inventory, but it also is a part of the distribution and also the shipping systems. After every fifth transaction, we physically check the quantities that are in the bin. So, you can see over a period of time our inventory accuracy is going to be perfect.

And we are putting that system at all of our major depots. It is an extremely good system and is going to have big pay offs.

Senator DIXON. I want to go to Admiral Arthur on that too, but may I say I see my distinguished friend from Michigan, Senator Levin has come in. He was active in that as well as I recall, and on that same subcommittee and we are talking about inventory management. We are discussing our concerns with this GAO letter, and the fact that you and I were on Senator Wilson's Inventory Management Task Force. And I know you were on the subcommittee where Senator Quayle chaired and I think you were our ranking member at that time.

Senator Bingaman did a lot of work on computerization. These fine people are giving us some indication of their upgrading of this whole inventory management question. If I might at this point, before I recognize Admiral Arthur, if you could all give me, and I do not want it to be terribly voluminous, but a recitation in some detail of what you have said.

I think our staff would like to take a look at that, because Senator Wilson has a bill pending now, S. 1826 and I may ask you about your comments on that in a moment too. That would require an 18-month study by the Secretary of Defense "to determine the effectiveness of Department of Defense procedures for ensuring security and control of supplies at Department of Defense depots."

Admiral Arthur, did you have anything that you wanted to add?

LOGMARS SYSTEM

Admiral ARTHUR. Yes sir, Mr. Chairman. We entered into the LOGMARS system, the bar coding of our stock, so that you can go through with an automated scanning device to control inventory.

Senator DIXON. What do you call that system?

Admiral ARTHUR. LOGMARS. We have just completed installation of a new computer system at our aviation supply office and it went into operation in mid February.

We are also working on an ADP replacement program that we call SPAR, which is to redesign logistics applications and replace computer systems at our Navy supply points. We have 100 sites that will be affected by this program. The first installation of a prototype is scheduled for the Naval Supply Center at Charleston in fiscal year 1990.

Additionally, a project that we call SPLICE, which is Stockpoint Logistics Integrated Communication Environment, is a communications network that will provide spare parts information to all users of our supply system and give visibility of these assets systemwide.

Additionally, DLA will be in this network. We think we have recognition that we did have an ADP problem. We have had too much manual operations—stubby pencil and notebook paper. We are trying to get into the 21st century as far as computer assistance to help us get a grip on these programs.

Senator DIXON. Do you think Admiral, do the three of you think that there is any need for this kind of a study that the Senator suggests would cost $10 million in view of what you are telling us, or do you think you are pretty well on track?

General WAGNER. I personnally think that we know what the problems are. Again, a lot of those problems that came before that group came out of the services testimony. I think we are getting a handle on them.

Senator DIXON. You are suggesting probably we do not need to study a problem that you already know exists.

General WAGNER. Sir, I guess I have a hang up, in the Army we study too much. We need to spend those dollars to go out and correct it.

Senator DIXON. But you do all feel that you have a grip on the problem you are looking at, and you think you are bringing it under control?

General WAGNER. A lot of the deficiencies that that committee found in the Army were not necessarily in my domain. They were in the field unit's security, for example, missiles, things of that nature.

There are major efforts in those field units to upgrade that and get more inventory control. We are working very closely with the field now in balancing our inventory by serial number of those key items. We know what to do, and we are working hard. But it takes some time to get all of that in place.

General HANSEN. I would only add to that that the automated warehousing system that I had referred to is well underway and that will be installed within the next 12 months. We are working on the security aspect of it, physical security is important and it is expensive. We have already put in over 40 miles of fencing around our warehouses, and we have got a very good master plan that will take us, once again, you just can not do it all over night. You have to do it within the fiscal constraints you have.

But we have got an excellent master plan that will lead us to the very intent of that bill.

Admiral ARTHUR. Mr. Chairman, we have been working on this issue due to some problems we had, as you will recall, with *Kitty Hawk,* where the Navy was charged with the loss of some spare parts that went someplace strange. There were two facets of that, shoreside inventory adjustments and seaside adjustments. On the shoreside of the house, we have reduced our inventory adjustments since 1981 by a factor of seven. At sea, as a result of *Kitty Hawk,* our inventory adjustments have been reduced from 27 percent in 1983 to 3 percent in 1987.

I think that we know what the problem is. We know how to get our hands on it and are, I think, making some very substantial progress.

Senator DIXON. I am pleased to hear that. And I would appreciate whatever you could all give me on that. And I thank you for your response. I want to ask one more question, then I want to recognize my distinguished friend from Michigan.

FURLOUGHS

I am really concerned, others have touched on it, I think Senator McCain did, I do not know if he pursued it much, with this business of the furloughs.

As long as I have been a member of this committee we have been holding down salary increases on the civilian side, increasing them on the military side at a better rate.

Now nobody would argue with the fact that Government employees have not met inflationary experience, even on the military side. I am not critical of what we have done. I have supported it. But now we are coming around to the point where we are seeing these discussions here of 15-day furloughs. You know, for somebody on the civilian side who has not gotten decent salary increases for a period of years to now take a shot like that, where they are off several weeks without pay is pretty rough I think. And I think the morale problem out there is going to really be a serious one.

TRANSFER AUTHORITY

I know you share my view. Now General Wagner, you talked a little about some transfer authority. I am wondering whether we could find a solution to this. I really would like to see us try to avoid this problem this year if we could. Because I hear all you folks are saying about things are going to improve in the next couple of out years. I am not the optimist you are about that.

If 84,000 people would be affected in General Hansen's command alone, then I guess over 100,000 people in the country could lose 3 weeks pay if they all lost 15 days of work.

You know, you are not increasing their salaries very much. To take a shot like that is pretty rough.

General WAGNER. Sir the 41,000 would only be those paid out of one account. If I could spread that across my command, which I would prefer to do, because it is going to be very difficult for me under the worst circumstances to say I am going to lay off Joe who works next to Tom because, he is paid out of a different account, the furlough would be less. So if I was ever forced to furlough, I am looking at moving money internally so everyone will be off but for a shorter period of time.

That even takes transfer authority because right now there are restrictions against moving dollars from our maintenance account to my supply account.

Senator DIXON. I realize that. And let me say that this Senator is willing to support the idea for more transfer authority. Frankly I had not visited it before today but staff talked to me about it this morning, and I would want to accommodate whatever is a reasonable amount there to try to get this job done.

I just wonder if you three gentlemen, your staff people would talk to my staff people to try to seek a solution to this problem. Because I think that the response out there is going to be terrible to that. I am trying to say to you for the first time now this year, I do not know if my colleague from Michigan is experiencing it, some of these civilian groups are coming in and saying we have not been able to keep up with the military over a period of years. And they have got some statistics, I do not remember how much they are, but over the time I have been here in 8 years now, it is getting to be a fairly big number.

Then if we give them a 3-week vacation without pay, I think that is going to be pretty rough.

General HANSEN. May I just add, I was able to defer my furlough by about 2 months. My total deficiency right now in civilian pay is $39 million. It had been about $117 or so. The Air Force, by scrubbing down its other O&M accounts was able to provide me with $19 million. That allowed me then to apply it to the furlough problem and to defer it.

We are also looking internally for any amount of money. The problem that you see is—union requirements. You have to notify the union so many days in advance, the people have to be notified. So you have got to get out in front of the furlough situation by about 90 days. We cannot wait until the last month and then decide we do not have the money so we must furlough them. Because then, all the legal statutes will not be met.

Senator DIXON. So we have not done this in past years. This is going to be the first time. Man, I am telling you, we are going to hear a lot about that.

General HANSEN. Mr. Chairman, I'll tell you, it is not only that, but there is a tremendous impact on the efficiency of our depots. Of course, I am going to be laying off less skilled people and replacing them with high skilled people. And then the whole mix of efficiency gets changed around. And your productivity just goes to hell in a handbasket.

So another reason I do not want to furlough or lay off people is because there will be a tremendous impact on my productivity.

Senator DIXON. Well let me just say this, I recognize that we are going to have a thing there that could have reverberations beyond what we even anticipate. I think it would be very wise for the three of you to discuss at your staff level with my staff people a way to find a solution to this.

Nobody is critical of you. You are doing the best you can with less money. There is nobody around this table that does not have empathy for the problem that you face. But I think that we ought to see if we can find a way to avoid these furloughs.

You know this budget again contemplates less civilian increases than military increases. The historical experience over a long time has been that way. And if then we turn around and give them a 3-week shot, I think it is going to be very, very poorly received.

General WAGNER. Sir, from the Chief of Staff and the Secretary of the Army down we are pulling every stop to prevent that. And we are working with the Congress. I think we can avoid a furlough. It is going to hurt us in other areas, but those people come first. We will pull out any stop we can. We are going to need help to do that though.

Senator DIXON. I would like to have my staff work with you on that. Would you make that a high priority to discuss that? And I am delighted to yield to my colleague, the Senator from Michigan.

AIR FORCE DEPOT MAINTENANCE BACKLOG

Senator LEVIN. Thank you, Mr. Chairman. And for your continuing efforts in this area, I would like to put a chart back up there on the screen. I do not know whether they have the right one. It was the Air Force depot maintenance backlog chart.

General, could you just explain to me what that split line is there for 1989? Again, and I hope that this does not duplicate the testimony before. I looked at the chart, although I was not here when you had it on the wall, and I do not understand it.

General HANSEN. The $1.556 billion represents the total backlog. The lower number, the $462 million represents my current ability to work off that backlog. So I am physically constrained to a maximum of $462 million worth of backlog.

Senator LEVIN. Let me put the question in a different way.

What number is comparable to the $818 and the $217 and the $167?

General HANSEN. The $462M.

Senator LEVIN. So if we are just looking at the backlog of depot maintenance in the Air Force, the number we should focus on is the $462M.

General HANSEN. Yes sir. But the only point that I was trying to make is that no matter how much money you give me, I can only work off the $462. That is my physical limitation. That is the total capacity of my plant to work that off. But you are correct in what you said.

Senator LEVIN. How much can you work off next year, I mean how many years will it take you to work that off?

General HANSEN. The plan I have now is 1994. I will work that $1.5 billion off in 1994.

Senator LEVIN. And that assumes no further backlog between now and then?

General HANSEN. That is right, sir. That means that my steady state will be funded and that I will have additional funds to work the backlog off.

Senator LEVIN. And is what you call your steady state, is that funded this year?

General HANSEN. Yes, it is. In 1989 it is.

Senator LEVIN. And was it funded in 1988?

General HANSEN. No, it was not. It was $400 million less than what my steady state was. My steady state is about $2.8 billion and I was funded at $2.4.

Senator LEVIN. If it was $400 million less in 1989 then your steady state, why did it go up $800 million or $700 million between 1988 and 1989?

General HANSEN. There was some carryover. And it is difficult to look at that. You could add $412 million that I was behind funding wise, which would bring it up to about $650. If I have the furloughs and the layoffs, there is a 2-percent loss in efficiency that is figured in to that.

So it is just not a straight dollar-to-dollar. If you go dollar-to-dollar you could account for about $700 to $650 million. The other $100 million is a result of loss of efficiencies, and I figured 2 percent of the total, which is more than likely very conservative. That is the reason.

Senator LEVIN. So the bottom line is about with the budget request that we have before us, that backlog is going up to 30 from $800 million to $1.5 billion.

General HANSEN. Yes, it is.

Senator LEVIN. If we added money to reduce that backlog somehow or another, how much could we usefully add?

General HANSEN. I could usefully add about $400 million. I could go to $3.2 billion from the $2.8 billion request.

Senator LEVIN. The most we could add that would have any affect would be $400 million even though we have a backlog of $1.5?

General HANSEN. That is right, sir.

Senator LEVIN. Now did we have the chart showing that as a percentage of the requirements, has that been up already?

General HANSEN. No, I did not show a percentage. About 70 percent is what it represents.

Senator LEVIN. How would that compare to say a couple of years ago?

General HANSEN. In 1985, we were fully funded.

Senator LEVIN. At 100 percent of requirements?

General HANSEN. Yes. That is the only year we have ever been fully funded. And then it slowly started to increase. We started to take $100 million or $200 million out and it just slowly built up. Last year when my predecessor was here he was talking about a couple of hundred million dollars. And of course that has grown substantially.

DEPOT MAINTENANCE FUNDING

Senator LEVIN. The Army has given us a chart on depot maintenance funding which shows that in 1980, the beginning of the decade that we were funded at 89 percent of the requirement, and for 1989 it will be less. We will be at 87 percent of the requirements, we are actually worse off in terms of percentage of requirements in depot maintenance being funded at the end of the decade than we were at the beginning of the decade.

I was wondering whether you would know that figure for the Air Force?

General HANSEN. We have. This is the worst funding situation the Air Force has ever been in. As a matter of fact, I looked at the funding back in 1975, and during the 1970s we were basically funded to the requirement.

The requirement was considerably less, because we were less robust during that time.

Senator LEVIN. OK. Can we get some examples now to drive this point home from each of you as to what it means, those are figures, percentages, requirements, dollars.

Tell us the kinds of equipment and maintenance that are going to have to be deferred with these backlogs. Each of you, General Wagner, why don't you start.

General WAGNER. Yes sir.

As you just highlighted, in 1988 we got about 83 percent of the requirement. In 1989, if we are lucky, and we get 100 percent of what we are asking for, we will have 87 percent, but that is not the story.

I am going to take care of the secondary items first and when I get the end item overhaul which I pointed out a little bit earlier, means the tanks, the helicopters and equipment that are eventually going to start breaking down if we do not overhaul them. I am only funded at 71 percent in 1989 and at 63 percent in 1988.

Senator LEVIN. What you are saying is that if we are deferring the maintenance of tanks and helicopters.

General WAGNER. The rebuild, yes sir. The depot rebuild we are deferring.

Senator LEVIN. And what does that mean, they are out of service, right?

General WAGNER. No sir. They are still running out in the units, but they are not as reliable. They are taking a lot more spare parts. And if they go to war they are not going to be as reliable to carry out their mission.

UNIT READINESS

Senator LEVIN. How does that affect unit readiness?

General WAGNER. It is hard to measure now in unit readiness, because from the past buys of spare parts I have got enough parts to keep them running.

Where it is going to start showing up is, when spares availability decline and, as they get older and older they will not be available.

Senator LEVIN. It is hard to measure, but is it fair to say we are less ready with this situation?

General WAGNER. Yes sir. You see, we are lucky right now in the Army in those units for example that have M-1 tanks, Apache helicopters, Bradley fighting vehicles. They have not been in the force long enough so that large numbers of them are due for a rebuild. In fact, the first was inducted for depot rebuild last year.

So we are living off of that build-up that we had during the modernization. But as aging starts hitting us we cannot continue to let this backlog build up just like they cannot in the Air Force. Mine is not that bad, but it was $16 million in 1985 and it is going to be over $300 million this year in the Army alone just in depot rebuild.

Senator LEVIN. That is called depot rebuild?

General WAGNER. Yes sir. That could be for spare parts, or it could be for the end item. We are sacrificing other areas in that maintenance account to even get that up that far.

For example, we have maintenance support activities. That means keeping your tech data and technical manuals and software upgraded. We are funding this in 1988 at 68 percent, and next year at 57 percent. So we are going to have almost a $500 million backlog in that area.

Senator LEVIN. Do we have a chart on that?

General WAGNER. Yes sir.

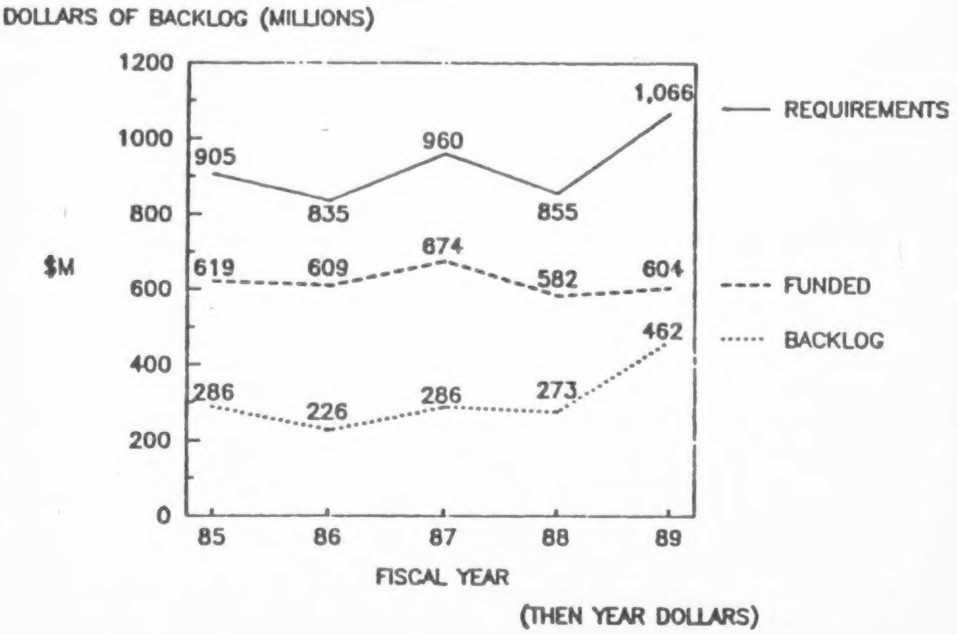
Senator LEVIN. Was that up?

General WAGNER. No, sir.

Senator LEVIN. Well if you could supply that for the record, how would that compare to say a couple of years ago?

[The information follows:]

MAINTENANCE SUPPORT ACTIVITIES BACKLOG



General WAGNER. That area is one that has always been underfunded and was running around $200 million. Now it is going up to over $400 million. So it is doubling.

Senator LEVIN. Tell us what it all means. Put it in as blunt terms as you can.

General WAGNER. Right now, we are living off of the new equipment and the spares that we procured when we had enough dollars to do it. If we do not keep up with depot rebuild requirements, our sustainability is going to go down as we move into the 1990s.

Senator LEVIN. You are saying that if we do not do something in the future, that sounds like at the moment, we do not have a problem.

General WAGNER. I mean in 1988 and 1989 sir. That is now and in the budget we are looking at for next year. We need to correct it.

Senator LEVIN. You are saying that right now.

General WAGNER. Yes sir, right now.

Senator LEVIN. In 1988 and 1989, in depot maintenance we have a problem out there in terms of readiness of our items, that more of them are going to break down, put it in my words.

General WAGNER. We have a problem in assuring that we do not have the breakdowns in the next several years. But we have to do that now, we can not wait until then to do it.

Senator LEVIN. The way to do that would be to get that equipment back into the depots now?

General WAGNER. Yes sir.

Senator LEVIN. And to replace those items now that we are not doing?

General WAGNER. Yes sir.

Senator LEVIN. So they are less reliable now?

General WAGNER. Yes sir. And a problem that we have, as I pointed out before you came in, this is only one of the problems. Even if you gave me this money, I could not execute it anyway because my critical problems in supply and all those people that hold this together. That is really what I am fighting for harder now than even correcting this problem.

Senator LEVIN. General Hansen, did you want to give us some anecdotal bottom line, tell us what this means, what do those figures mean?

General HANSEN. In 1988, Senator, I am repairing 50 percent of the engines; for every 10 parts that are coming in that are broken, I am only repairing about 62 percent in 1988 over all of the spares requirements.

This is going to result in airplanes without engines.

Senator LEVIN. Is it going to this year?

General HANSEN. This year, at the end of this year. At the end of this year we are going to see airplanes without engines.

Senator LEVIN. Keep going. Because if we are going to successfully maintain a fight for this kind of an effort, we have got to be able to put this in terms that we and our colleagues can understand. This is not an abstraction. Depot maintenance charts are an abstraction. But when you say look, we are going to have planes at the end of this year with no engines in them, that is a lot less abstract frankly than a number.

General HANSEN. Well, you recall back in 1983 we had airplanes without engines in them. You are going to find airplanes that are less capable. Right now we have fully capable missions rates that are higher than they have ever been before,

Now an airplane can fly without all of its equipment. An airplane can fly without a radar set. But it is not fully equipped to do its combat mission. And so we will fly with degraded weapons systems. If you do not have the spare parts, for the airplanes, we will more than likely be able to fly them. And the pilots will get their flying training. But, it will be degraded training and of course the weapon system would be degraded in a combat situation also.

Senator LEVIN. And again, you say we are talking about this year that is going to happen?

General HANSEN. Yes sir. In one of the slides I showed, the reason we have not seen it so far and right away is because the budget was not passed until late in the year. I went ahead and made a decision to fully fund all the spare parts in the first quarter of 1988. And so right now that is masking the funding in 1988. But it is going to catch up to us starting the first of April.

The last two quarters of this year are severely underfunded because I was too positive in the first two quarters based on my estimate of the amount of money we were going to get in the 1988 budget. We did not get our money until January. It is pretty difficult to make repair decisions when you are guessing.

So what I have done is, by being too positive the first two quarters, I have compounded the problem toward the end. And we are going to see severe impacts on the Air Force in the last quarter of this year.

NAVY DEPOT MAINTENANCE BACKLOG

Senator LEVIN. Admiral, you have a depot maintenance backlog that continues to increase from 1988 to 1989. Tell us what is going on in the Navy.

Admiral ARTHUR. In our ship maintenance and modernization accounts, we are continuing to see, through 1987, 1988 and 1989, a zero deferred overhaul status. We are not doing as many depot overhauls, while we are doing more intermediate type maintenance.

Under our modernization accounts and our restricted and temporary availability accounts, we can do overhaul type maintenance in very small segments which saves us some money. In the last several years, we have stretched our overhaul cycles as we have become more familiar with doing this type of maintenance, so we do not see at this point in time any deferred overhauls.

On the aircraft side of the house, it is a different story. We finished 1987 with zero aircraft overdue for maintenance, and we had 100 percent engine availability. So, we had firewalls filled for all intents and purposes, and we had enough money to return engines that were in rework to a ready-for-issue status.

Our mission capable rate is the highest that it has been. In 1988, we are now projecting going from zero backlog to 48 aircraft overdue for maintenance and engine availability dropping to 97 percent.

Senator LEVIN. That means 48 aircraft will be overdue for maintenance in 1989?

Admiral ARTHUR. As we finish 1988 there will be 48 aircraft sitting on the ramp that have not had maintenance performed on them.

At the end of 1989, we will eat into that a little bit. We expect to end 1989 with 37 aircraft versus 48. We will hold the line on engine availability. It will still be at 97 percent. In the meantime, our mission capable rates will, we suspect, have dropped about 2–2.5 percent.

Senator LEVIN. From what to what?

Admiral ARTHUR. From a little over 73 percent to a little over 70 percent is what we are estimating.

Senator LEVIN. What is the major result of the increase in the backlog, is that what you have just described, that is the principle cause of that backlog?

Admiral ARTHUR. Yes sir. It is a funding issue. And the end result is, at the end of this year, 48 aircraft will be sitting waiting for maintenance. Next year we will reduce that number to 37.

Senator LEVIN. If you are going to go from 48 to 37 it sounds like you are going in the right direction next year. But the backlog according to the figures that I have, or at least according to the note I have, would continue to increase. Is that from 1988 to 1989 or is that from prior years?

Admiral ARTHUR. I believe that is over prior years. I would have to check.

Senator LEVIN. In other words, your depot maintenance backlog does not increase from 1988 to 1989?

Admiral ARTHUR. No sir. There is a funding stream that does increase, but the number of aircraft impacted is reduced. That develops because of the type aircraft that we happen to be running in and out of rework. It is more expensive to take an F–14 through depot level rework than it is to take one of the training command's A–4s for example.

Senator LEVIN. Mr. Chairman, I have just a couple of other questions for General Wagner but I am over 10 minutes.

Senator DIXON. Go ahead and ask them.

ARMY OPERATING TEMPO FOR GROUND COMBAT UNITS

Senator LEVIN. Thank you very much. The Army has submitted, General, for the last couple of years an annual budget which projected it would achieve an operating tempo for ground combat units of 850 vehicle miles per year. The 1987 actual number was 800. That was actually achieved, and in 1988 the current estimate is 725.

The question is, given the picture that you have given us this morning of maintenance, and supply shortages, is it realistic to expect that the Army will achieve a ground operating goal of 850 miles in 1989?

General WAGNER. As far as spare parts Senator Levin, yes sir, because those spare parts in 1989 were procured with dollars that were appropriated in 1987 and we are in good shape in 1988 on that too.

The problem we are going to have is in my supply account being able to ship those spare parts. I am working with the Army staff, with the Department of Defense and with the Congress for about $336 million in that account if I want to be able to give the proper support that the field needs to achieve those miles of operating tempo.

Senator LEVIN. That is how much you need. How much is in the budget request?

General **Wagner**. Let me see if I have got that here.

Senator **Levin**. Is there a shortfall in the budget?

General **Wagner**. Yes sir. The shortfall is $336 million.

Senator **Levin**. In other words, you are short $330 million?

General **Wagner**. $336 million. I have $1.650 billion in that particular account in the 1989 budget, and to be able to support what the Army needs I need about $1.986 billion or an increase of $336 million.

Senator **Dixon**. If I may interrupt my distinguished colleague, we are on a rollcall. But it is a 30-minute rollcall. May I say to my colleague, I thought I might suggest to the witnesses we are not going to go vote and ask them to wait and then come back, so we are going to conclude by no later than 11:30. So when the Senator has finished his, I might have one or two more, but you are advised you will be out of here by that time.

Senator **Levin**. Let me just press that, because I am not quite sure.

Are these figures correct that the desired operating tempo for ground combat units is 850 vehicle miles a year, is that a goal?

General **Wagner**. Yes sir, that is a goal. Track vehicles are the drivers that is, tanks, Bradleys, and vehicles of that nature.

Senator **Levin**. Okay. We did not achieve it in 1987.

General **Wagner**. No sir.

Senator **Levin**. We are not likely to achieve it in 1988.

General **Wagner**. We do not have the dollars in 1988 in OMA. That is the reason we had to go down to 725.

Senator **Levin**. My question is this, given the dollars, the $1.6 billion or whatever the dollars are in the budget, what is the likely achievement going to be for 1989, do you have any idea?

General **Wagner**. It is going to be very difficult because of the support that I can give to those units.

Senator **Levin**. The 725, are we likely to achieve that in 1989?

General **Wagner**. Yes sir, I think we will achieve that. However, they had planned earlier to go farther and as I talked to my colleagues now, who are training, they are training at the regular rate. But as the summer comes they are probably going to have to almost shut their vehicles down and stop training.

I know General Palastra from FORSCOM has announced that.

Senator **Levin**. Can you give us a prediction as to whether 1988 is going to be at about the same level as, I am sorry, can you give us a prediction as to whether 1989 will be at about the same level as 1988, or higher or lower than 1988?

General **Wagner**. We hope it will be higher.

Senator **Levin**. What is your prediction?

General **Wagner**. If I can——

Senator **Levin**. Given this budget.

General **Wagner**. With this budget I think it will be lower than that. It will be difficult getting up to 800 unless I can get some relief in my supply area.

Senator **Levin**. Lower than?

General **Wagner**. Lower than 800. That is hard to predict, because of all contributing factors, I would have to know exactly how many spare parts they had in every bin in every division to give you a good estimate.

Senator **Levin**. You are just not able to predict whether or not the 725 level that looks like 1988 is going to be achieved will be maintained, go up or down, you just can not predict?

General **Wagner**. No sir. I have spent a lot of time in that arena in the Army and was one of the people who came up with this sort of technique of looking at the future training when I was at Fort Knox. If we do not get up to that 850 we are not going to have the ready Army we need over time.

The past few years it has been tough. In the past we always achieved a thousand vehicle miles out there to keep our training up.

Senator **Levin**. Thanks very much to all of you.

HOMEPORTING

Senator **Dixon**. I thank the Senator. Admiral Arthur, I want to talk to you a little bit about homeporting, and, of course, it is well known that I am not an enthusiastic supporter and so please do not think I am picking on you.

I just want to get the record clarified. In your statement you talk about the Navy's request for $207 million for continuation of the strategic homeporting program. And you talk about that program, $39 million as I understand it is for Staten Island, New York, $73 million for Everett, Washington.

In the meantime, I have to say I have seen reports that the Navy is studying establishing a new home port in Alaska. And this raises the following questions for at least this Senator.

In view of the fact that we are not going to have a 600 ship Navy, at least in the near future, why is it that we continue homeporting at the same level, one, and two, I understand that you have encountered significant delays in executing previously authorized construction projects at both Staten Island and Everett. And I would like to have your comments about that.

And three, are you studying a new home port in Alaska.

Admiral **Arthur**. Mr. Chairman, strategic homeporting today remains a very attractive goal for us. From the strategic sense, we still see that there are a lot of pluses involved with being able to have our fleet located so that we are not predominantly in two spots on each coast as we are today. We think from the strategic side that it continues to make sense. Whether the 600 ship Navy materializes next year or 10 years from now, we still think that we have to pursue a course of action that will make the infrastructure available.

If we do not do it in the ports that today look like they make strategic sense, then we will have to make that investment someplace. So we are committed to the system of strategic homeporting. The longer we delay, of course, the higher the price goes.

We developed a fairly bare bones approach to this program and got significant assistance from various local communities; we want to take advantage of their enthusiasm to help pay some of the bills.

Senator **Dixon**. I am told you got almost no assistance in Everett or New York.

Admiral **Arthur**. We have had some places where the assistance has been not quite as substantial as other places. We do have some difficulties now in San Francisco and Everett because of environmental issues and the changing of the guard in San Francisco. And that particular area has led us on a search to see if there is another port that would offer us the same benefits as San Francisco to use as a fall back position.

We are taking a look around the Pacific west coast to see if there are other alternatives. Actually in a lot of cases we are revisiting some old ground to see if anything has changed relative to San Diego and Long Beach where we are already. We have done about as much as we can do at the Alameda/Oakland complex on the other side of the bay at San Francisco. And so the only room is to go over to Hunter's Point where we are having the difficulties now.

We are also asking if we can put more in Pearl Harbor than we already have. We are taking a look to see if Alaska offers us anything that we have not seen in the past. But we have not committed ourselves to going north to Alaska at this time.

Senator DIXON. You see the only thing I would suggest, Admiral, and I do not want you to take this as unduly argumentative, but some of us say here you have all this money for homeporting, you have all that money in there for Project Pronto, and a lot of things of that kind. You are giving up 16 frigates, there are a lot of things of that kind that make us wonder whether we are usefully employing the best priority system to have a good sound, lean and mean Navy.

Now I do not mean that offensively, but I would suggest that there is some discussion at this end about some of those things. And that probably will come up in some of our subcommittee discussions.

Admiral ARTHUR. We continue to have lots of discussions amongst ourselves also.

READINESS

Senator DIXON. Okay. Now may I say that I guess this impression from all of your testimony, the three of you, and the same impression Wednesday at that hearing that we had that while there are some problems on the readiness side, some of which have been I think dramatically demonstrated in this hearing this morning, basically our readiness is still pretty good but we are giving up on the sustainability side.

I do not want to seem gross in saying this but I am not optimistic like General Hansen was about the future type of growth we might experience. I am wondering when we start paying the piper for what we are doing on the sustainability side, what do you gentlemen say to that?

General WAGNER. Readiness in the Army today is as you said, the highest it has ever been. But as I said earlier, unless we can correct some of the problems we have in my organization for supporting that and sustaining it over time, it has got to drop. I am taking out of stocks today what I would need if we went on a contingency mission. Those spare bins are going to go down and eventually will get to the bottom and readiness is going to drop.

General HANSEN. And that is the same thing in the Air Force. We are going to pay the piper. We are going to pay the piper for last year, we are going to pay the piper for 1989. The problem with all of this is that the logistics impact is masked because it takes 2 years to buy the parts, and we are there now. Society, everybody wants to say—if you do not get the money, just like Senator Levin requested, what is the impact right now? He wants to see grounded airplanes and tanks that are not running.

But once again, our people out there have workarounds and they will do their damndest to get those things running. There won't be "full-up" airplanes, there won't be "full-up" tanks, but they will do their doggonedest to make sure they run.

So there is a mask in this lead time. It is also a problem. I would like to just make one plug. I talked about great people; I sure hope we do not forget about the pay raise. I think that 4.3 percent pay raise has got to be considered a readiness issue along with spare parts and things of that nature.

If we do not take care of our people we are in deep trouble Senator, I can tell you that.

Senator DIXON. I do not have any quarrel with that. And I want to suggest to you that when the time comes where you get into a competitive situation where the civilian groups come at you and say hey, you are not raising us enough and now you are giving us a 3-week furlough without pay, you are going to have some problems gentlemen. And I think smart men prepare in advance.

That is why I brought that up this morning. I see some things on the horizon just like you see them. When my friend the General here talks about everything is fine now because the Bradley fighting vehicle and the Apache are new, wait until they are a couple of years old. I hear that, that is good sense. Nobody quarrels with the realistic appraisal he places on that.

I hope you do not quarrel with the realistic, pragmatic appraisal I am placing on this. Because I see if we have not had that kind of contentiouness so far. Admiral, your view.

Admiral ARTHUR. I think, going back to one of the earlier points General Hansen made, that we find ourselves in a position where we really do not know how we are going to ride out 1988. We do not know what the bottom line is. We think we have a fairly good idea about it, but it dropped on us very quickly.

We are watching to see what will happen. We do not see any negative trends yet, although we hear lots of noise. And when you hear lots of noise you need to get concerned.

If 1988 rolls out fairly much as we predict it will, we feel fairly comfortable with what 1989 will do. And then, as Senator McCain mentioned, we have to see what happens if we do not get the 2 percent growth as we go back up the line.

CROSSDECKING

Senator DIXON. We heard last year that there was some crossdecking already taking place. Is that true, and is that increasing to any extent?

Admiral ARTHUR. In fact, the crossdecking of weapons and parts has gone down. And in 1989——

Senator DIXON. That is a fact?

Admiral **Arthur**. Yes sir. We are down to, I think, seven ordnance items that we crossdeck today compared to what we use to. I do not know how large that number finally got up to a few years ago. We still have to crossdeck some of our sophisticated, smart weapons. The inventories have just not come on line yet. But we have made good progress in that area.

In the 1989 submit we are buying our last Aviation Consolidated Allowance List—spare parts for the carrier. Each carrier will have its own parts bin so to speak and will not have to rely on another carrier to go into overhaul to take it off and put it on the other one. Each one has its own allowance list and it will be tailored. Of course there will be some unique parts that we will continue to have to crossdeck.

But in general, we have gotten out of that business to a great degree from where we were just a few years ago.

PROJECT REARM

Senator **Dixon**. If you will, General Wagner, excuse a Senator's parochialism, I would like to make one point before we adjourn here because I will have to go vote shortly and I do not want you folks to have to wait for me to come back to ask one question. That would not be fair to you. You are familiar with the Project Rearm at the Rock Island Arsenal. The multiyear integrated modernization program including both equipment acquisition and facilities construction. The equipment acquisition is funded by procurement appropriations Army account and the construction is funded out of the military construction Army.

The equipment portion is on schedule and is intended to be fully funded at approximately $143 million. The construction was originally funded at $92 million and was divided into three separate parts, each funded in a different fiscal year. My understanding is that the first two went along smoothly, and now they are trying to put in a fourth phase.

I am told that everything is in place there and the equipment and everything else, and of course it is the usual contention which I would agree with that it is just going to cost more money if you do that.

I wonder if you would take another look at that and see what there is that could be possibly done to accommodate that particular schedule.

General **Wagner**. We need about $10 million more, and we are working the detail on that.

Senator **Dixon**. Would you talk to my staff about the possibilities to accommodate that need.

I want to thank you all for doing this. There are some other questions I would like to have asked, but frankly I think it would take more than the time I have left to run over and vote and I do not want to inconvenience you by asking you to wait.

I want to thank you all for being so forthright with us. And we appreciate the information you have given us. Thank you for giving us all the charts that you can. We want all of those and would appreciate your working with staff on this whole furlough question, which I see as something that is a ticking bomb in there.

[Questions for the hearing record with answers supplied follow:]

QUESTIONS SUBMITTED BY SENATOR ROBERT C. BYRD

INVENTORY

Senator **BYRD**. What does the Army presently spend in annual procurement to maintain the inventory of equipment and materiel needed?

General **WAGNER**. These figures represent Class IX repair parts funded by the Procurement Appropriation Secondary and Army Stock Fund programs that support the Army's inventory of equipment. Dollar values are furnished in millions.

Appropriation	Fiscal year 1987	Fiscal year 1988	Fiscal year 1989
Aircraft	$545.6	$517.1	552.2
Missiles	150.3	211.6	254.3
WTCV	435.8	393.6	427.0
AMMO	1.2	1.0	2.5
OPA-1	134.6	44.9	75.7
OPA-2	379.4	408.4	344.4
OPA-3	29.8	26.8	48.2
PA-2 Subtotal	1,676.7	1,603.4	1,704.3
ASF	1,665.5	1,550.1	1,675.7
Total	3,342.2	3,153.5	3,380.0

Senator **BYRD**. If the Army implemented a "just-in-time" inventory capability using flexible manufacturing techniques to supply parts and equipment on an as needed basis, how much money could be saved through reduction of inventory costs?

General **WAGNER**. The question presumes that Army facilities manufacture spare parts. While this may be true for a minor portion of our spare parts needs (depots and arsenals), the vast majority of spares are procured from private/commercial producers. These producers are the ones who would utilize flexible manufacturing systems capable of economically producing small lots while supported by materiel suppliers capable and willing to deliver needed suppliers/components "just-in-time." I cannot estimate the savings. The challenge to AMC is to devise and use procurement methods and instruments that meet our readiness needs and take advantage of the commercial practices and manufacturing of our suppliers.

The vast majority of materiel the Army buys consists of unique equipment and parts (non-commercial) which must be manufactured specifically for the Army. For this type of equipment and associated repair parts, we competitively contract the manufacture due to non-availability in the commercial market. Deliveries must be made per contractual schedule and normally undergo an 18-24 month administrative and procurement lead-time. Because of the very nature of the competitive process, it is doubtful any manufacturer would voluntarily bear the expense of producing, stocking, and maintaining inventories in hope the Army would buy his products.

The Army and AMC are using several acquisition methods to offset long administrative and procurement lead times; this has resulted in getting equipment much more quickly to the soldier. Some of these methods:

Spare Acquisition Integrated with Procurement (SAIP). Procurement of selected spares and repair parts is combined with the procurement or production of identical items which support the actual end item production program.

Option Clauses. Clauses are added to a base contract which can be exercised when additional quantities of materiel are needed.

Indefinite Delivery-Type Contracts. This method allows competition in procuring design stable spare/repair parts; contracts are normally awarded for 1-year periods and parts can be procured "as needed" with deliveries throughout the contract period.

Reclamation/Disassembly Program. Obsolete end items are reviewed for non-obsolete parts and components for possible recovery and return to the supply system.

AMC is committed to reducing inventory costs and is continually searching for evolving techniques in the supply accountability area. I have directed my functional experts to review the "just-in-time" concept along with other efficiency measures in an effort to save resources as well as improve equipment readiness in the field.

Senator **Byrd**. Is there a role for the ADA software language in these applications, and if so, could you describe that role?

General **Wagner**. Yes, the ADA language does have a role in the development of new applications. Army policy requires that ADA be considered for the development of all new systems. That policy applies to the development of new logistics systems, especially where use would be required over a variety of application processes, diverse vendors hardware, and multiple locations.

Senator **Dixon**. The subcommittee meeting is adjourned.

[Whereupon, the subcommittee adjourned at 11:20 a.m.]

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 1989

MONDAY, MARCH 28, 1988

U.S. SENATE,
SUBCOMMITTEE ON READINESS,
SUSTAINABILITY AND SUPPORT,
COMMITTEE ON ARMED SERVICES,
Washington, DC.

ARMY AND AIR FORCE AMMUNITION PROGRAMS

The subcommittee met in open session, pursuant to notice, at 9:30 a.m., in room SR-222, Russell Senate Office Building, Senator Alan J. Dixon (chairman) presiding.

Present: Senators Dixon, Wirth, and Thurmond.

Staff present: Arnold L. Punaro, staff director; Robert E. Bayer, Richard D. Finn, Jr., George K. Johnson, Jr., Ronald P. Kelly, and David S. Lyles, professional staff members; Mary J. Kampo, staff assistant.

Also present: Charles C. Smith, assistant to Senator Dixon; and Robert K. Griffith, assistant to Senator Wirth.

OPENING STATEMENT OF SENATOR ALAN J. DIXON, CHAIRMAN

Senator DIXON. The Subcommittee on Readiness, Sustainability and Support meets today to continue our hearings on the amended fiscal year 1989 Defense authorization request.

This morning, we will hear testimony on Army and Air Force ammunition programs.

The conventional ammunition production base in this country is made up of a partnership of both Government-owned and private sector facilities. Without this partnership, we could not meet our peacetime or wartime ammunition production needs.

We have two panels of witnesses this morning: one from the Department of Defense and one from the private sector. Our Defense Department witnesses are Brig. Gen. Paul L. Greenberg, the Program Executive Officer for Ammunition in the Army, and Maj. Gen. Edward R. Bracken, the Director of Logistics, Plans, and Programs, in the Headquarters, U.S. Air Force.

Gentlemen, we welcome you to the subcommittee. We appreciate your being here this morning.

Your full statements, of course, will be included in the record in full, and we will have questions after you have given your oral testimony.

I have a few classified questions, which I will save until the end of the hearing, after we receive the testimony of the second panel. I would like to recall our first panel after the witnesses from the private sector testify for any comments they may have on the second panel's testimony. We will then go into a brief executive session to cover some classified issues.

I understand that Senator Humphrey is tied up in New Hampshire and will not be back until a little later in the morning. So, at this time, we will note that he can place his opening statement in the record at a later date upon his arrival.

At this time, gentlemen, we will entertain your testimony.

May I say to both of you that your entire report, which I have read, and your statements will be reproduced in the record in full. If you could, give us a briefer statement, somewhere in the 10 or so minute timeframe. We would appreciate it.

We will first hear from Brig. Gen. Paul L. Greenberg, Program Executive Officer for Ammunition, Department of the Army.

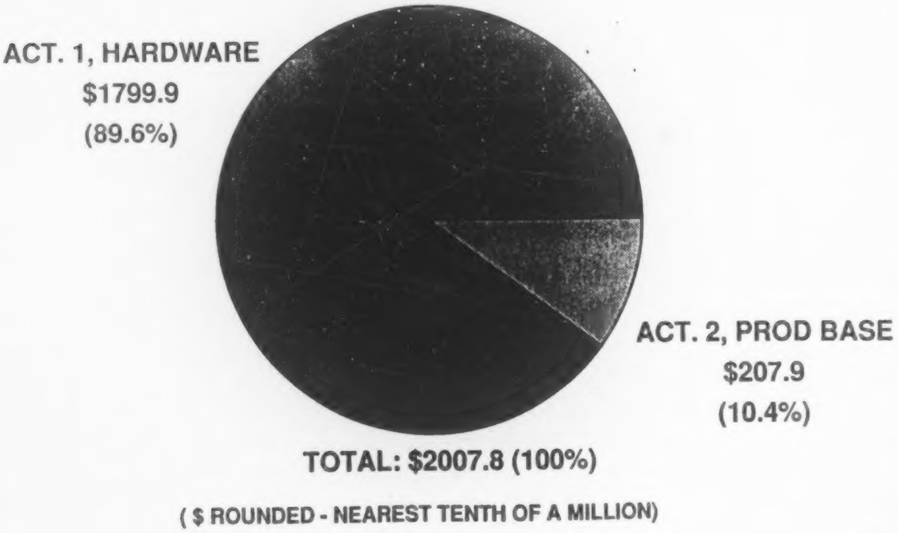
General Greenberg.

STATEMENT OF BRIG. GEN. PAUL L. GREENBERG, USA, PROGRAM EXECUTIVE OFFICER FOR AMMUNITION, DEPARTMENT OF THE ARMY

General GREENBERG. Thank you, Mr. Chairman. I am delighted to have the opportunity to come to talk about the fiscal year 1989 Procurement of Ammunition, Army Appropriation and Authorization.

May I have the first viewgraph, please.

FY 89 PROCUREMENT OF AMMUNITION, ARMY
($ IN MILLIONS)



The fiscal year 1989 Procurement of Ammunition, Army appropriation amended request, which I will call the ammunition request, approximately a $2.0 billion total, is allotted to two activities—hardware and production base support, with hardware comprising about 90 percent.

PROCUREMENT OF AMMUNITION, ARMY APPROPRIATION ($ MILLION)

	FY86	FY87	FY88	FY89 (REQUESTED)	FY89 (AMENDED SUBMIT)
HARDWARE	2001.2	1731.9	1845.6	1914.1	1768.0
PRODUCTION BASE	496.0	355.3	428.0	280.7	239.8
TOTAL	2497.2	2087.2	2273.6	2194.8	2007.8

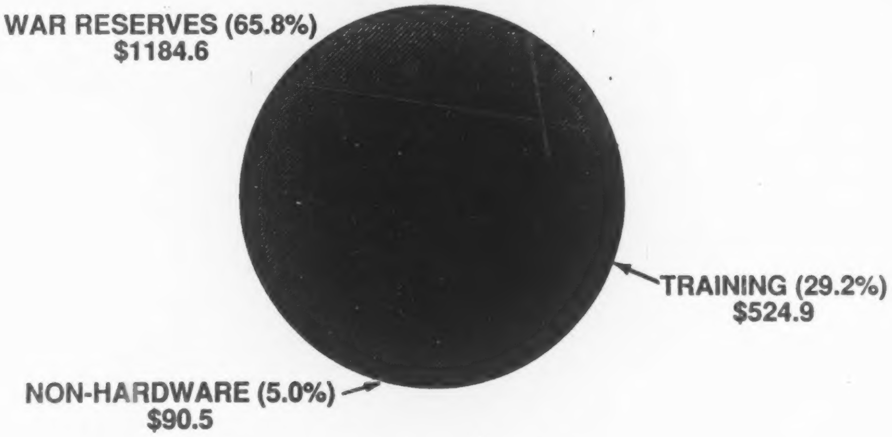
Our submission is $266 million less than the fiscal year 1988 appropriation, which results in a negative real growth from fiscal year 1988 to fiscal year 1989 of minus 14 percent, and there is $187 million less, or a negative 9 percent, than the fiscal year 1989 request of the 1988–89 biennial budget submit of January, 1987.

Nevertheless, we feel our request is both equitable and balanced within the context of the total DOD reduced budget submission.

In preparing this request, we have tried to balance each of the program drivers, one against the other, to achieve an acceptable level of support. These program drivers include significant directed reductions in Army Total Obligational Authority (TOA) and outlays, the objective, to maximize warfighting capability within TOA constraints, increased emphasis on training, which is the Army theme for 1988, plus an objective to provide adequate ammunition support to new weapons systems. We recognize that associated ammunition for these new systems is more expensive than that which we had bought previously.

We were asked to show a positive growth in sustainability within the TOA constraints. And, finally, we were required to support and maintain the active production base.

FY 89 AMMO ACTIVITY 1 BY MAJOR ELEMENT ($ IN MILLIONS)



TOTAL: $1799.9 (100%)

($ ROUNDED - NEAREST TENTH OF A MILLION) (FIGURES DO NOT ADD DUE TO ROUNDING)

Sustainability is a continuing concern, given steady improvements in the warfighting capability of our potential adversaries. The overall Army TOA limitations and the need to support critical training requirements have constrained our program. However, we continue to build toward our stockage objectives, with emphasis on modern antitank ammunition.

TRAINING AMMUNITION
($ IN MILLIONS)

	FY86	FY87	FY88	FY89
TRNG UNIQUE	417.4	389.2	383.5	369.2
SVC ROUNDS	172.6	152.4	131.1	155.7
TOTAL FUNDED	590.0	541.6	514.6	524.9

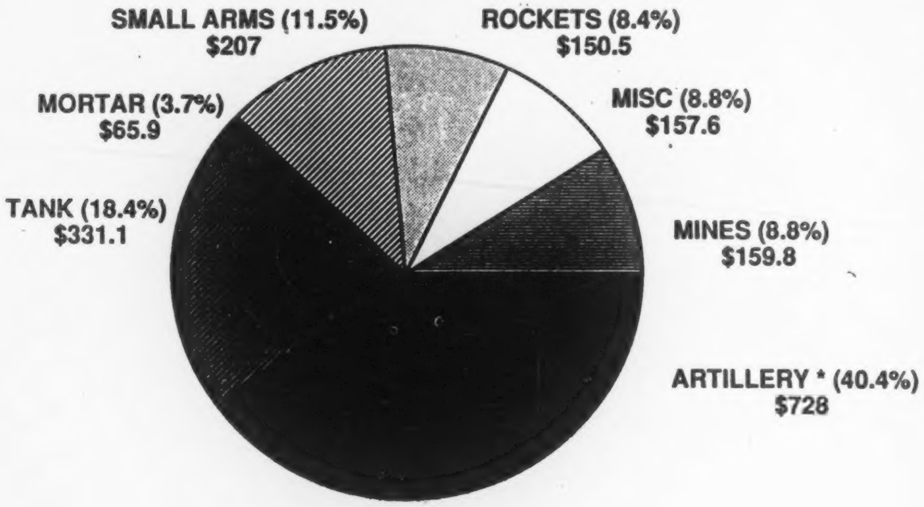
1987 MAC P2 R6

Training is supported using both service ammunition, that is, the same combat ammunition bought for war reserves, and training unique items. These include simulators and subcaliber ammunition, as well as full-sized ammunition that has, in some way, been modified to meet peacetime noise, ranges, cost, or the lethality limitations, yet provides realistic training.

We attempt to achieve a balance between training unique ammunition and service ammunition used for training that is both cost effective and best supports readiness.

Unfortunately, training rounds of new systems, for example, the 120 millimeter tank training round, are more expensive. Our latitude to draw from stocks to support training is diminishing.

FY89 AMMO ACTIVITY 1 BY CATEGORY
($ IN MILLIONS)



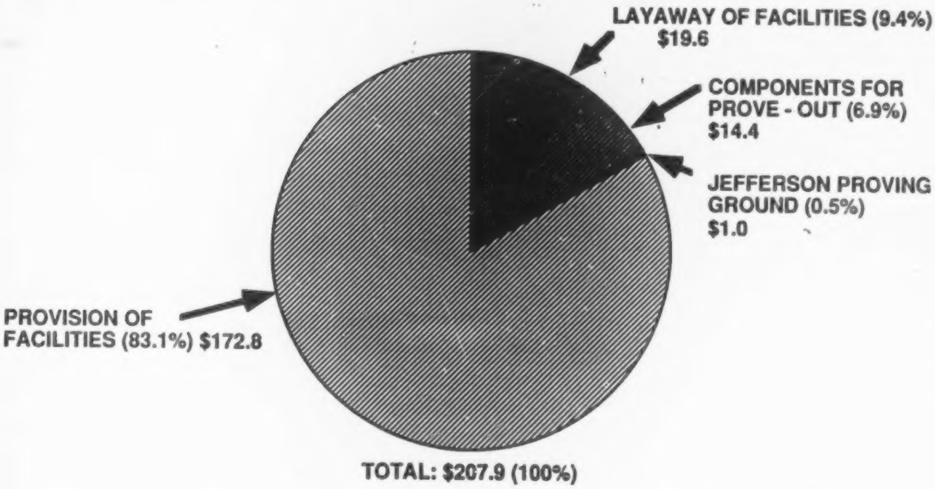
TOTAL: $1,799.9 (100%)

*** INCLUDES CHARGES/FUZES**
($ ROUNDED - NEAREST TENTH OF A MILLION)

Of course, we buy a wide variety of ammunition categories to meet the Army's needs, everything from small arms ammunition for the individual soldier, to the larger, more complex, highly lethal warfighting ammunition to support the M-1 tank, the Bradley fighting vehicle and helicopter fleet.

Included in each of these categories are both war reserve and training ammunition.

FY89 AMMO ACTIVITY 2 BY BUDGET LINE
($ IN MILLIONS)



($ ROUNDED - NEAREST TENTH OF A MILLION) (FIGURES DO NOT ADD DUE TO ROUNDING)

As a reminder, the Army owns and operates or contracts the operation of facilities for the manufacture of a wide variety of ammunition and components for all services, other government agencies, and to support foreign military sales. Approximately 35 percent of our hardware dollar goes to these facilities.

Of that, over 40 percent is spent by the plants in competitive subcontracting.

In most cases, government-owned ammunition production facilities have no commercial counterpart due to the exclusive military utility of many of their products, such as complete artillery projectiles, illumination smoke, propellants and explosives and the hazards associated with explosives, which require extensive land and environmental protection investment.

The Government, therefore, has assumed an obligation to maintain these facilities and the association production workforce skills necessary for their operation.

Maintenance of the active base consists of inspection repair and, when required, layaway costs. Production workforce obligation, however, are not so easily quantifiable.

One of our goals is to maintain a steady workforce. In most cases, this is directly dependent on the amount of dollars that were appropriated and authorized.

When a line is shut down because production is complete or funding is terminated and the workers cannot be moved to another line, they must be laid off.

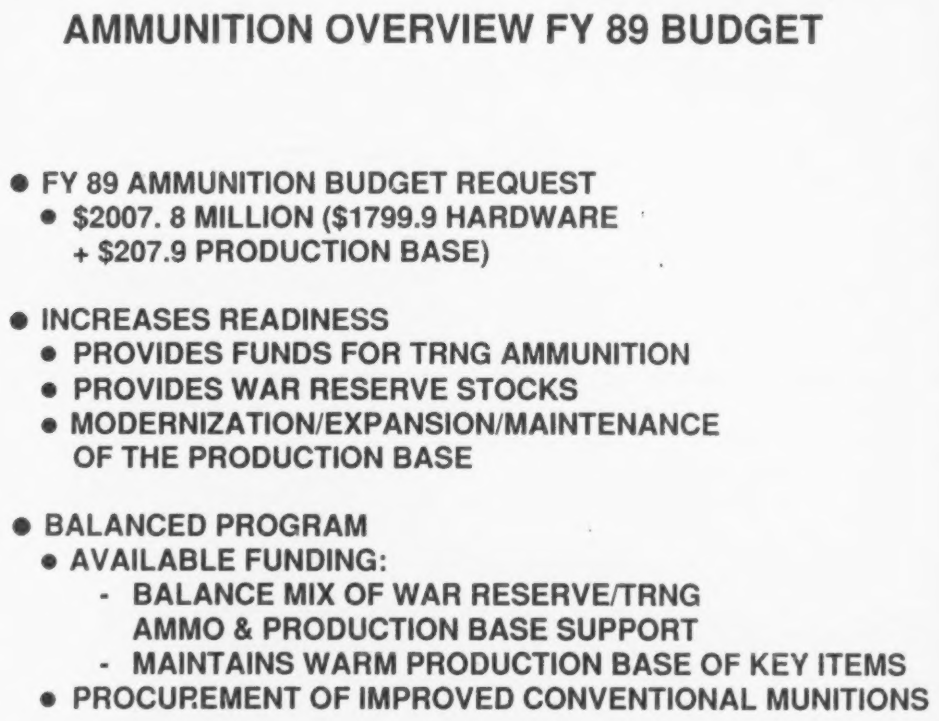
Terminating PAA funding presents another bill to the Army. We must use precious PAA dollars at this point to pay severance costs and initial layaway.

The point is that we don't get a one-for-one saving by terminating production. We must use some of that saved money to pay shutdown costs.

Our operation and maintenance bill used to maintain the inactive portion of the base increases. In many instances, lay-offs represent a critical loss of manufacturing experience, which is difficult for the Government to recoup.

More importantly, these lost workforce skills are not readily available in the event of general mobilization. Once the facilities or lines are shut down and laid away, the costs to maintain them are borne by the operation and maintenance accounts. As more facilities are laid away, the greater is the burden operations and maintenance accounts must bear.

It should be noted that the Operation and Maintenance, Army (OMA) account has taken significant decrements in fiscal year 1988 and fiscal year 1989, which is making it difficult to adequately maintain the inactive base. In fact, current funding allows for security and fire protection only, with no maintenance of facilities.



AMMUNITION OVERVIEW FY 89 BUDGET

- FY 89 AMMUNITION BUDGET REQUEST
  - $2007. 8 MILLION ($1799.9 HARDWARE + $207.9 PRODUCTION BASE)

- INCREASES READINESS
  - PROVIDES FUNDS FOR TRNG AMMUNITION
  - PROVIDES WAR RESERVE STOCKS
  - MODERNIZATION/EXPANSION/MAINTENANCE OF THE PRODUCTION BASE

- BALANCED PROGRAM
  - AVAILABLE FUNDING:
    - BALANCE MIX OF WAR RESERVE/TRNG AMMO & PRODUCTION BASE SUPPORT
    - MAINTAINS WARM PRODUCTION BASE OF KEY ITEMS
  - PROCUREMENT OF IMPROVED CONVENTIONAL MUNITIONS

In summary, the amended fiscal year 1989 request represents a joint effort by OSD and the Army to program a balanced procurement of new year reserve and training ammunition within a constrained funding level.

Thank you, sir. I am ready to take your questions.

[The prepared statement of General Greenberg follows:]

PREPARED STATEMENT BY BRIG. GEN. PAUL L. GREENBERG
PROGRAM EXECUTIVE OFFICER FOR AMMUNITION, DEPARTMENT OF THE ARMY

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

IT IS A PLEASURE TO APPEAR BEFORE THIS SUBCOMMITTEE TODAY TO DISCUSS THE ARMY'S AMMUNITION PROGRAM.

THE FISCAL YEARS 1989 AMENDED BUDGET CONTAINS $2,007.8 MILLION FOR PROCUREMENT OF AMMUNITION HARDWARE AND SUPPORT OF THE AMMUNITION PRODUCTION BASE. IN ORDER TO MEET THE ARMY'S ASSIGNED GOAL UNDER THE TERMS OF THE DEFICIT REDUCTION SUMMIT AGREEMENT, THIS REQUEST IS $265 MILLION LESS THAN OUR FY 1988 APPROPRIATION. COMPARISON OF THE FY 1989 AMENDED REQUEST WITH PRIOR YEAR APPROPRIATED PROGRAMS IS AS FOLLOWS:

(Dollars in Millions)

FY 1985	FY 1986	FY 1987	FY 1988	FY 1989
$2,646.3	$2,497.2	$2,087.2	$2,273.6	$2,007.8

PLEASE NOTE THAT OUR APPROPRIATED PROGRAMS HAVE DECLINED SINCE 1985. SPECIFICALLY, OUR REQUEST IS $187 MILLION LESS THAN PROJECTED IN THE FY 1989 COLUMN OF THE FY 1988 BUDGET AND AS PREVIOUSLY STATED IS A RESULT OF MEETING THE ARMY'S REDUCED TOTAL OBLIGATION AUTHORITY.

BEFORE DISCUSSING THIS BUDGET SUBMISSION, I WOULD LIKE TO BRIEFLY DESCRIBE HOW THE ARMY DETERMINES ITS AMMUNITION BUDGET.

THE ARMY NEEDS AMMUNITION FOR BOTH WAR RESERVES AND TRAINING. WAR RESERVE REQUIREMENTS ARE BASED ON COMPUTER CALCULATIONS OF AMMUNITION CONSUMPTION BY APPROPRIATE FORCES DURING DIFFERENT CONTINGENCY SCENARIOS. PRECISE QUANTITIES OF AMMUNITION NEEDED FOR TRAINING ARE DETERMINED FROM CAREFULLY STRUCTURED TRAINING STRATEGIES REQUIRED TO ATTAIN AND MAINTAIN READINESS. THE TOTAL

BUDGET IS THEN BUILT USING THE PROJECTED COST OF THAT AMMUNITION REQUIRED FOR BOTH WAR RESERVE CONTINGENCIES AND THAT AMMUNITION REQUIRED TO SUPPORT HIGH PRIORITY TRAINING FOR OUR SOLDIERS.

THE ARMY CONTINUES TO EMPHASIZE BOTH THE BUILDUP OF WAR RESERVE INVENTORIES TO SUPPORT CONTINGENCIES AND MAINTENANCE OF AN ACTIVE BASE UNTIL MOBILIZATION ACTIONS ENERGIZE AND EXPAND THE TOTAL BASE TO PROVIDE THE NECESSARY SUSTAINED SUPPORT.

THE AMENDED FY 1989 AMMUNITION BUDGET REQUEST CONSISTS OF $1,799.9 MILLION FOR HARDWARE AND $207.9 MILLION FOR PRODUCTION BASE SUPPORT.

AMMUNITION HARDWARE:

AMMUNITION HARDWARE PROVIDES FOR PROCUREMENT OF MODERN AMMUNITION, BUILDUP OF WAR RESERVE STOCKS TOWARD THE AUTHORIZED ACQUISITION OBJECTIVES, AND WORLDWIDE TRAINING CONSUMPTION THROUGH THE FY 1989 FUNDED DELIVERY PERIOD. THE HARDWARE REQUEST IS BROKEN INTO THE FOLLOWING MAJOR ELEMENTS:

($ IN MILLIONS)

MAJOR ELEMENT	FY 1989
TRAINING	524.8
WAR RESERVE	1,184.6
NON-HARDWARE	90.5
	1,799.9

WAR RESERVE FUNDING IS 66% OF THE AMMUNITION HARDWARE BUDGET REQUEST, WHEREAS FUNDING IN SUPPORT OF TRAINING IS 29%. THE NON-HARDWARE REQUEST IS FOR RENOVATION OF EXISTING AMMUNITION, STOCKPILING OF EXPLOSIVES FOR WAR RESERVE MUNITIONS, INITIAL AND REPLENISHMENT SPARES.

THE HARDWARE REQUEST BROKEN DOWN BY CATEGORY AVERAGES ABOUT 11% FOR SMALL ARMS, 18% FOR TANK AMMUNITION, 40% FOR ARTILLERY PROJECTILES, PROPELLING CHARGES AND FUZES, 8% FOR ROCKETS, 4% FOR

MORTARS AND 9% FOR MINES. THE REMAINING 9% IS MISCELLANEOUS.

($ IN MILLIONS)

CATEGORY	FY 89	%
ARTY/CHGS/FUZES	728.0	40.4
TANK	331.1	18.4
SMALL ARMS	207.0	11.5
MINE/COUNTERMINE	159.5	8.8
ROCKETS	150.5	8.3
MORTARS	65.9	3.6
MISC	157.6	8.6
TOTAL	1799.9	

THE COLUMN MAY NOT ADD DUE TO ROUNDING; HOWEVER, THE TOTAL LINE SHOWS TOTAL OBLIGATION AUTHORITY.

NOW LET'S ADDRESS EACH ONE OF THESE CATEGORIES BRIEFLY.

ARTILLERY, CHARGES AND FUZES

ALMOST ALL OF THE $728.0 MILLION IN FY 1989 IS TO PROVIDE A WAR RESERVE BUILDUP OF NEW, MODERNIZED 155MM ARTILLERY AMMUNITION.

THE 155MM, HE, ICM, DP (HIGH EXPLOSIVE, IMPROVED CONVENTIONAL MUNITION, DUAL PURPOSE) PROJECTILE, AT $103.2 MILLION AND THE 155MM BASEBURNER AT $111.7 MILLION ACCOUNT FOR 30% OF THE FUNDING REQUESTED FOR ARTILLERY. THE BASEBURNER IS A HIGH EXPLOSIVE (HE) IMPROVED CONVENTIONAL MUNITIONS (ICM) PROJECTILE AND IS A DUAL PURPOSE (DP) ANTI-ARMOR/ANTI-PERSONNEL ROUND. IT DIFFERS FROM THE BASIC ICM ROUND IN THAT A BASE BURNER ASSEMBLY BLEEDS GASES OUT THE REAR OF THE PROJECTILE TO REDUCE DRAFT AND INCREASE RANGE.

THE REMAINDER OF THE ARTILLERY REQUEST INCLUDES SMOKE, ARTILLERY-DELIVERED MINE PROJECTILES IN 155MM AND 8-INCH CALIBERS

AS WELL AS PROPELLING CHARGES, PRIMERS AND FUZES BALANCED TO PROJECTILE QUANTITIES, AND CONTINUING FUNDING FOR NUCLEAR AND BINARY CHEMICALS ROUNDS.

SMALL ARMS

THE REQUEST INCLUDES $57.9 MILLION FOR 5.56MM AMMUNITION OF THE TYPE USED IN THE M16A2 RIFLE AND $38.7 MILLION FOR 7.62MM AMMUNITION USED IN VARIOUS MACHINE GUNS. TOGETHER THEY REPRESENT APPROXIMATELY 47% OF THE FUNDING REQUESTED FOR SMALL ARMS. ANOTHER 27% ($55.4 MILLION) IS 25MM AMMUNITION TO SUPPORT TRAINING REQUIREMENTS FOR THE BRADLEY FIGHTING VEHICLE.

TANK

THE FUNDS ASSOCIATED WITH 105MM TANK TRAINING AMMUNITION REQUIREMENTS ARE FOR ROUNDS FIRED FROM THE 105MM MAIN GUN CANNON MOUNTED ON TANK MODELS M1, M60's, AND M48A5'S. THE BUDGET ALSO INCLUDES AMMUNITION FOR THE 120MM GUN SYSTEM ON THE M1A1 ABRAMS TANK. THE FUNDS FOR WAR RESERVE PROCURE ARMOR-PIERCING, FIN-STABILIZED, DISCARDING SABOT WITH TRACER (APFSDS-T) AND HIGH EXPLOSIVE ANTI-TANK (HEAT) ROUNDS. THE APFSDS-T CARTRIDGES, WHICH HAVE INCREASED CAPABILITY AND RELIABILITY, WILL REPLACE THE OLDER VERSION OF ARMOR-PIERCING, DISCARDING SABOT (APDS) AMMUNITION. APFSDS-T ROUNDS ARE INTENDED FOR USE AGAINST ARMORED TARGETS. THE DISCARDING SABOT TARGET PRACTICE (DSTP), TARGET PRACTICE WITH TRACER (TP-T), AND TARGET PRACTICE CONE-STABILIZED DISCARDING SABOT-TRACER (TPCSDS-T) ROUNDS ARE NEEDED TO SUPPORT ANNUAL TANK QUALIFICATION/FAMILIARIZATION FIRING.

ROCKETS

THE FUNDS REQUESTED SUPPORT PLANNED PROCUREMENT OF BOTH THE HYDRA 70 FAMILY OF ROCKETS AND THE LIGHTWEIGHT MULTI-PURPOSE SYSTEM (AT4). ALTHOUGH THE AT4 IS NOT TECHNICALLY A ROCKET (IT IS A RECOILLESS RIFLE), THIS IS A CONVENIENT CATEGORY IN WHICH TO PLACE IT. ALSO INCLUDED ARE PROCUREMENT PROGRAMS FOR THE

TRAINING ROUNDS ASSOCIATED WITH BOTH AT4 AND HYDRA 70.

MORTARS

PROCUREMENT ARE PLANNED FOR THE 4.2-INCH MORTAR AMMUNITION HIGH EXPLOSIVE AND ILLUMINATING ROUNDS. THE 4.2-INCH MORTAR SYSTEM WILL CONTINUE TO BE THE ARMY'S HEAVY MORTAR SYSTEM BASED ON THE DELETION OF THE 120MM MORTAR SYSTEM IN THIS REQUEST.

THE BUDGET REQUEST ALSO INCLUDES PROCUREMENT OF THE 60MM SMOKE ROUND AND THE 81MM 1/10 RANGE TRAINING ROUND.

MINE/COUNTERMINE MUNITIONS

THE REQUEST INCLUDES THE MODULAR PACK MINE SYSTEM (MOPMS), THE GROUND EMPLACED MINE SCATTERING SYSTEM (GEMSS), AND VOLCANO --A HELICOPTER OR GROUND DISPENSED MINE SYSTEM. ALL ARE SCATTERABLE MINE SYSTEMS AND CONTAIN BOTH ANTIPERSONNEL AND ANTITANK MINES. ALSO INCLUDED ARE THE TRAINING MINES TO SUPPORT TRAINING ON THE VOLCANO DISPENSING SYSTEMS. IN ADDITION, THIS REQUEST INCLUDES THE MINE CLEARING LINE CHARGE (MICLIC) SYSTEM; A ROCKET DEVICE DESIGNED TO BREACH PATHS THROUGH ENEMY MINEFIELDS AND OBSTACLES.

MISCELLANEOUS

IN THIS CATEGORY ARE ALL THE REMAINING AMMUNITION HARDWARE ITEMS IN THE BUDGET REQUEST. THIS INCLUDES SIGNALS, SIMULATORS, HAND GRENADES, DEMOLITION MUNITIONS, AND "NON-HARDWARE" FUNDING AS DEFINED EARLIER (PAGE 3). INCLUDED IN NON-HARDWARE IS FUNDING FOR EXPLOSIVES AND PROPELLANTS REQUIRED TO ESTABLISH A STOCKPILE TO MEET SURGE REQUIREMENTS DURING MOBILIZATION, AND/OR TO ALLOW CONTINUATION OF AMMUNITION PRODUCTION IN THE EVENT OF THE CATASTROPHIC FAILURE OF AN EXPLOSIVES/PROPELLANT LINE. COMPONENTS FOR RENOVATION FUNDING PROVIDES FOR PROCUREMENT OF AMMUNITION COMPONENTS REQUIRED FOR RENOVATION OF UNSERVICEABLE ASSETS CURRENTLY IN THE INVENTORY. ALSO INCLUDED IS FUNDING FOR

NITROGUANIDINE; AN EXPLOSIVE PROPELLANT REQUIRED FOR USE IN ARTILLERY CHARGES AND IN HIGH PERFORMANCE TANK AMMUNITION.

AMMUNITION PRODUCTION BASE

THE AMMUNITION PRODUCTION BASE PROGRAM HAS AS ITS PRINCIPAL THRUST THE CONTINUATION OF PRIOR YEAR INITIATIVES. IN ACCORDANCE WITH DEPARTMENT OF DEFENSE GUIDANCE, THE ARMY IS EMPHASIZING FINANCING THOSE PRODUCTION BASE PROJECTS NEEDED TO MEET PEACETIME PRODUCTION REQUIREMENTS. THE FOLLOWING SUMMARIZES OUR AMMUNITION PRODUCTION BASE REQUEST:

	($ IN MILLIONS) FY 89
PROVISION OF INDUSTRIAL FACILITIES	172.8
LAYAWAY OF INDUSTRIAL FACILITIES	19.6
COMPONENTS FOR PROVE-OUT	14.4
JEFFERSON PROVING GND MODERNIZATION	1.0
TOTAL	207.8

THE COLUMN DOES NOT ADD DUE TO ROUNDING; HOWEVER, THE TOTAL LINE SHOWS TOTAL OBLIGATION AUTHORITY.

PROVISION OF INDUSTRIAL FACILITIES PROVIDES FOR THE DESIGN, ACQUISITION, AND CONSTRUCTION OF NEW FACILITIES AND REDESIGN, REHABILITATION, EXPANSION, REPLACEMENT, MODERNIZATION, AND CONVERSION OF EXISTING FACILITIES. THIS CATEGORY AVERAGES ABOUT 83% OF THE PRODUCTION BASE SUPPORT REQUEST.

THE $19.6 MILLION REQUESTED EACH YEAR FOR LAYAWAY IS FOR THE PROTECTION AND PRESERVATION OF EQUIPMENT AND FACILITIES AT VARIOUS LOCATIONS THAT ARE NO LONGER REQUIRED FOR ACTIVE PRODUCTION, BUT WHICH MUST BE RETAINED FOR FUTURE PEACETIME OR MOBILIZATION PRODUCTION.

THE $14.3 MILLION IS REQUESTED FOR PROVE-OUT AT VARIOUS

FACILITIES. THIS PROVIDES FUNDS TO CHECK OUT COMPLETED PRODUCTION FACILITIES TO ASSURE THAT (1) THE MANUFACTURER IS CAPABLE OF PRODUCING AN ACCEPTABLE END PRODUCT, (2) THE MANUFACTURER'S WARRANTIES ARE MET, AND (3) THE FACILITY IS CAPABLE OF PRODUCING AT THE DESIGN RATE SPECIFIED. MODERNIZATION OF JEFFERSON PROVING GROUND TEST FACILITY IS PART OF AN EFFORT TO MODERNIZE AND UPGRADE EXISTING TEST INSTRUMENTATION REQUIRED DURING PRODUCTION ACCEPTANCE TESTING ON ARMY AMMUNITION AND AMMUNITION COMPONENTS.

IN CONCLUSION I WOULD LIKE TO TAKE THIS OPPORTUNITY TO THANK THIS COMMITTEE FOR YOUR PAST SUPPORT OF THE AMMUNITION PROGRAM: HOWEVER WE NEED YOUR CONTINUED SUPPORT MORE THAN EVER TO MAINTAIN AND IMPROVE OUR READINESS. THANK YOU.

Senator **Dixon**. Thank you, General Greenberg.

We will go on to General Bracken and then we will question both of you.

I am pleased to see that the distinguished senior Senator from South Carolina is here, Senator Strom Thurmond.

Do you have any statement that you want to put into the record at this time?

Senator **Thurmond**. I don't have a statement. No, sir. I just have some questions.

Senator **Dixon**. Thank you, Senator.

General Bracken.

STATEMENT OF MAJ. GEN. EDWARD R. BRACKEN, DIRECTOR OF LOGISTICS PLANS AND PROGRAMS, DEPUTY CHIEF OF STAFF/ LOGISTICS AND ENGINEERING, HEADQUARTERS, UNITED STATES AIR FORCE

General **Bracken**. Mr. Chairman, I welcome the opportunity to appear today before you to discuss the Air Force's munitions and associated equipment budget program contained in the fiscal year 1989 President's amended budget.

With your permission, I will insert my prepared statement for the record so that I can focus on your concern more adequately.

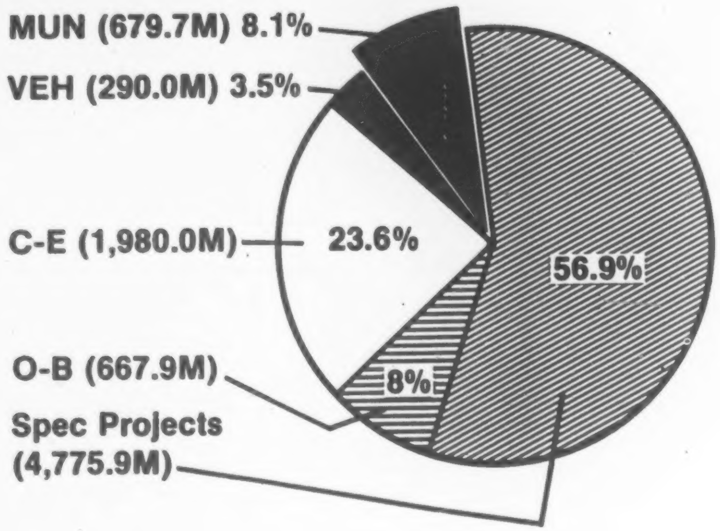
I do have a few viewgraphs that I would like to go over to set the stage for the subsequent dialogue.

OTHER PROCUREMENT AIR FORCE (3080 APPROPRIATION)

May I have the first chart, please.

FY 1989 Other Procurement, AF Total $8,393.5

($ In M)



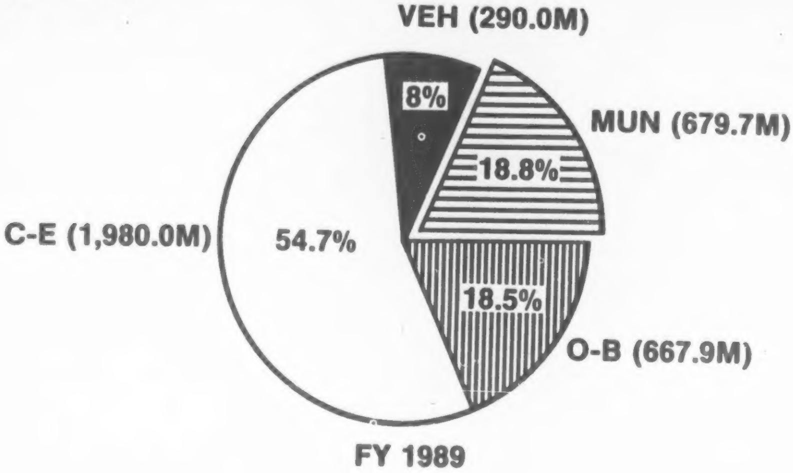
FY 1989

Sir, as you can see, our fiscal year 1989 procurement is embodied in the 3080 appropriation of about $8.4 billion, and over half of that is for special projects. Of the residual amount, the munitions account is the second largest account within the appropriation.

If you compare the 1988 munitions appropriated dollars to the 1989 President's budget, there is about a $90 million increase, and most of that, or all of that, is for the Bigeye munition. And if you compare the 1989 President's budget as amended, to the original 1989 budget that was submitted a year ago, there is about a $160 million decline in our request, and basically, the driver in that is the sensor fuzed weapon, which we have delayed in our procurement plans.

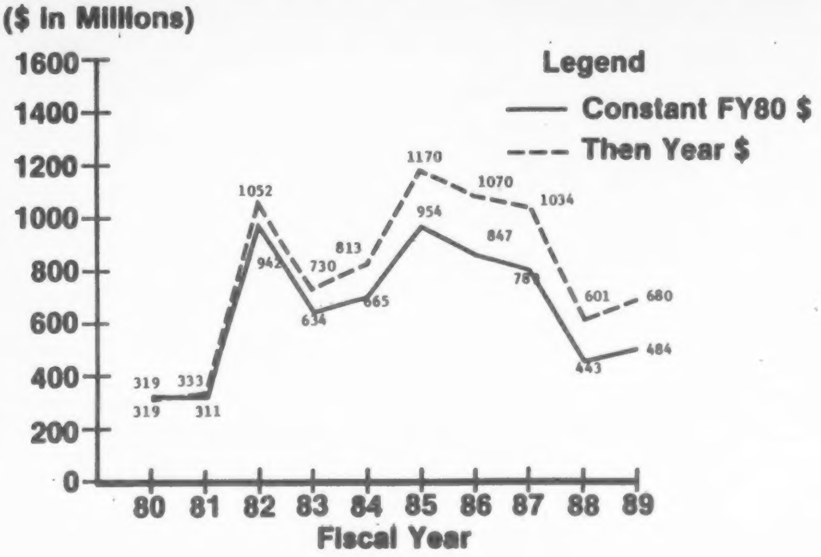
FY 1989 Other Procurement, AF
FY 1989 Request Without Spec Projects
$3,617.6

($ In M)



If you then look at the 1989 procurement account for the residual items after you take the special projects out, you can see that munitions represents about 19 percent of those residual dollars, or about $680 million that we are requesting in the 1989 appropriation.

Munitions and Associated Equipment
Fiscal Years 80-89
In Then Year and FY80 Constant Dollars



I would like to focus a little bit now on trends in the munitions account.

During the early years of the 1980s and through 1987, we have shown and enjoyed funding. During that period, we have invested almost $5.8 billion in munitions to achieve the levels of readiness and sustainability that we now enjoy within the Air Force.

Senator DIXON. That chart would show, then, General, that we are just about back to where we were in 1980?

General BRACKEN. Yes, sir, we are.

Senator DIXON. And in constant dollars?

General BRACKEN. That is a true statement.

Senator Dixon. Don't you think that is a pretty serious statement?

General BRACKEN. In the early years, during the growth period we were basically bedding down weapons that were brought on-line in terms of modernizing our munitions inventory capability. We procured such items as the GBU-15 the GBU-24 laser guided kits, the improved 2,000 pound bomb, the combined effects munition and the Gator.

We also were able during this timeframe to increase our pipeline stocks, refilling the pipeline and procuring 60 days of all munitions that were in production at that time.

And so, I think in that context, some decline in the budget was warranted, because we had those things behind us.

But, by the same token, we also had to accommodate the transition of our overall budget levels from what we saw in the 1987 timeframe to the lower budget levels in the 1988 and 1989 submission.

We had to keep in balance, if you will, all of the factors that we were concerned with in terms of readiness and sustainability, force structure and modernization.

So I think in the context that we had to accommodate to a lower budget level, the munitions account is still in balance with the rest of the items that we are concerned with in both procurement accounts and operations and support costs in the Air Force.

The 1988 decrease resulted from the following things: training munitions. We were able to reduce the requirement because we achieved lower pricing on some items, such as the 30 millimeter training munitions, the BSU-49 air inflatable retarders the MJU-10 flare, and reduced requirements for aerial TOW targets and BDU-50 practice bombs.

We did that with some recognition, as we testified a year ago, that we were putting at risk in a minimal way our training munitions posture through some drawdown of the pipeline stock levels that we achieved in the earlier years.

In the other area of war reserve reductions, the 1988 budget reflected a procurement termination of Durandal, the Gator, the 30 millimeter API round, deferral of DAACM to fiscal year 1990, and reramping of Bigeye.

Further, the defense guidance that we had to follow in the fiscal years 1988 through 1992 period allowed slowing of the WRM build-up by allowing a greater sustainability contribution for older items. WRM also slowed in line with slower force structure goals. We had to drawdown some of the force structure because of the 1988 reduction, as well as the 1989 amended budget, which reduced about $12 billion from what the original 1989 column was when we submitted it a year ago.

Munitions & Associated Equipment Program Summary

($ in Millions)

	FY86	FY87	FY88	FY89
Training	248	224	186	202
War Reserve	820	809	414	477
Weather Probes	2	1	1	1
Total	1,070	1,034	601	680

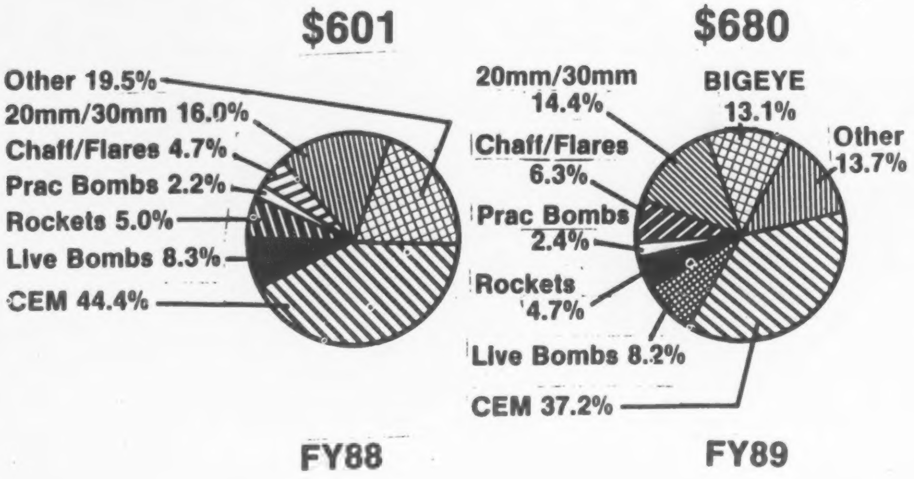
The next slide will show you a breakdown over the 1986 through 1989 timeframe; the dollars that have been appropriated, and in the case of 1989, the program that we have submitted to you for training, weather probes and war reserve materials.

The training budget shows about an 8-percent growth from 1988 appropriated to the 1989 submission, and about a 13-percent growth for WRM from the 1988 appropriated to the 1989 submission—overall, about a 12-percent growth between those two categories.

The $680 million amount requested in 1989 is about, as I said earlier, $160 million less than was in the original 1989 column.

Munitions and Associated Equipment FY88 to FY89 Comparison by Category

($ In Millions)



The kinds of items that we buy in munitions are displayed on this slide, and if you look at the breakdown of this chart, you will see that Bigeye is the single biggest driver in the fiscal year 1989 increase because there were no fiscal year 1988, Bigeye dollars appropriated.

CEM alone, combined effects munitions, still constitutes the largest program and the largest portion of our munitions program.

The live bombs that we are buying in 1989, or that we would like to buy in 1989, include the improved 2,000 pound weapon, which has a hard penetration capability, and significant additional BSU-49 and 50 retarders for the conventional 50 and 2,000 pound bombs.

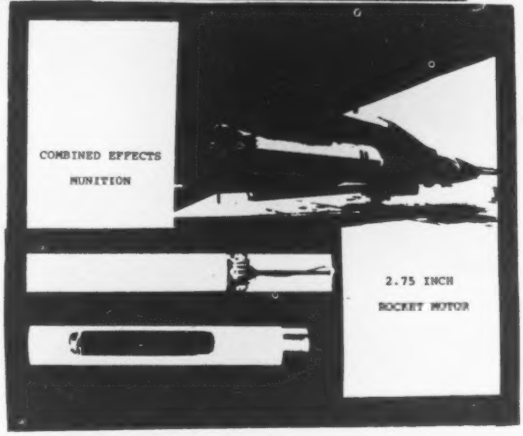
These retarders provide our forces with a significant increase in capability in terms of lower altitudes that you can deliver weapons at a higher speed, and a much shorter stick length. They are very effective munitions, when these retarders are used.

We also have increased our procurement for rockets; warheads and we have not bought enough of the training items in the past.

Therefore, you will see some increase in rocket warheads as a portion of the overall 1989 submission.

Munitions & Associated Equipment FY89 ($ in M)

	$	QTY
WRM		
CEM	253	16,562
BIGEYE	89	
Hard Target Bomb	32	2,610
FMU-139 FUZE	30	32,698
Training		
30MM training	67	8,700K
2.75" RKT MTR	16	90,000
25 LB Prac Bomb	14	1,160K
Dual Mission		
Bomb retarders	24	53,128
MJU-10/B Flare	16	354,114



These are the major breakouts within that budget, and you can see both the dollar and the quantities that are shown for WRM. And again, CEM is the largest driver, as well as Bigeye, in terms of WRM, with some hard target bombs, the improved 2,000, and some FMU-139 fuzes.

In the training area, we need to buy or continue to buy 30 millimeter training munitions, the rockets, that I previously mentioned, and some 25 pound practice bombs.

The dual mission refers to those items that can be used either for training or for WRM uses.

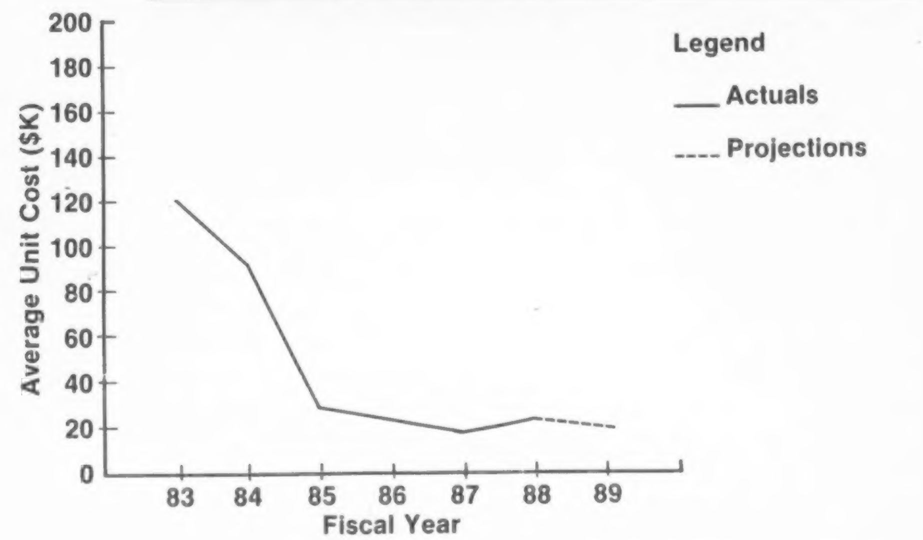
Qualitative Improvement

1980	1989	Capability
GBU-10	GBU-15/24	Greater standoff
CBU-52/58/71	CBU-87 (CEM)	Improved area coverage more kills per pass
MK-82/84	BLU-109 (hard target bomb)	Hard target penetration
MK-82/84	Durandal	Enhanced runway cratering

Shown here are the qualitative improvements that we have seen in our munitions inventory since the early 1980s. In terms of the GBU-10, which is an early version guided bomb, we have enhanced that capability for standoff through the procurement of the GBU-15 and the GBU-24, which provides low-level laser guided bomb capability. In terms of area coverage munitions, we have moved from the CBU-52, 58, 71 to the CEM, and the MK 82/84 has been supplemented by the BLU-109 or the improved 2,000 pound bomb, that gives us a hard target capability.

Also, the MK 82/84 has been supplemented by the Durandal, which is a good runway cratering device.

I would now like to show you a good news story in terms of CEM.



CEM Unit Production Cost Comparison

In the unit production cost reductions, as you can see, we have seen some significant reductions in what we are paying per unit for this particular munitions in our inventory.

The effect of competition in the 1985 through 1987 and projected 1988 timeframes was significant. In 1987, we paid $13,400 per unit.

We are currently in the process of negotiating our 1988 buy, and we hope to achieve a similar kind of phenomenon in 1988.

Army Ammunition Facilities Supporting Air Force Programs

Crane (IN)
Iowa (IA)
Lake City (MO)
Kansas (KS)
McAlester (OK)
Radford (VA)
Joliet (IL)
Lone Star (TX)
Longhorn (TX)
Louisiana (LA)
Pine Bluff (AK)
Milan (TN)
Holston (TN)
Volunteer (TN)

Some of the facilities that General Greenberg discussed do, in fact, support Air Force programs and about 80 to 85 percent of our munitions procurements are made by the Army single manager.

Crane, in Indiana, for instance, loads, assembles and packs MK-84s. Radford, in Virginia, loads, assembles, and packs propellants for our small arms ammunition. Joliet loads, assembles, and packs 30 millimeter ammo for the A-10. Lone Star loads, assembles, and packs the Gator. Longhorn makes the MJU-7 flare. And Volunteer manufactures TNT for us.

Recent Army Production Base Investment Air Force Programs

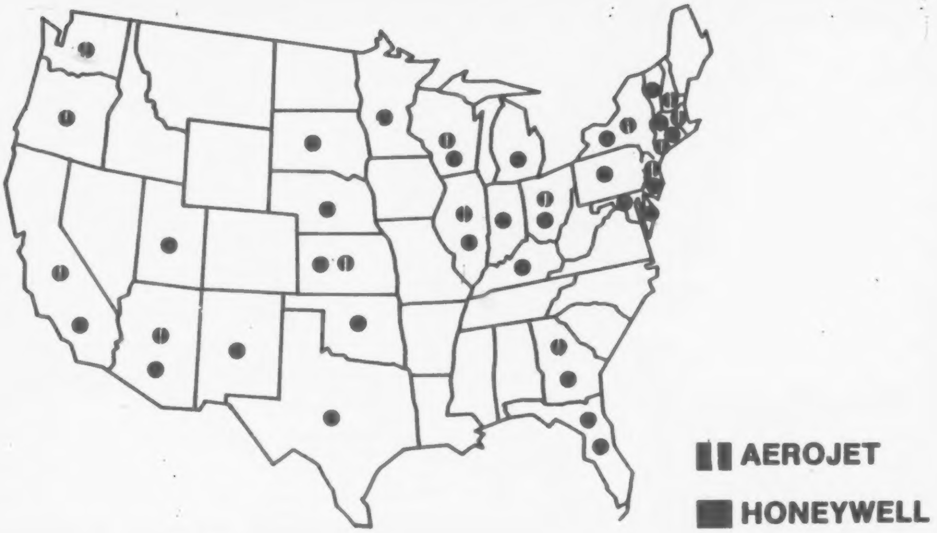
Item	Investment ($ M)
BLU-80/B (BIGEYE)*	99.9
CBU-87/B (CEM)	58.3
CBU-89/B (GATOR)*	25.3
SUU-64/B (TMD)	22.8
Various explosive material*	16.2
FMU-139 FUZE*	12.4
20/30/40 MM*	11.3

***Multiservice REQMTS**

Some recent production base investment that the Army has made for Air Force programs are shown on this slide.

First, the Bigeye, the Army has made a considerable investment in that area. The CEM had $58 million invested for the production of that munition. The rest of the larger programs are shown on the slide.

CEM Vendor Locations



This chart shows some of the vendor locations for CEM—I think not only has CEM been a good news story for us in the services, but also it has provided a significant amount of business in the private sector. You can see where those vendors or subcontractors are for Aerojet, which is in red, and Honeywell, which is in blue.

Summary

- **Readiness of current force**
- **Sustainability of programmed force**
  - **Slow WRM inventory growth**
  - **Continue emphasis on modernizing stockpile**
- **Production base viability**
  - **Increase exchange of information between services**
  - **Emphasize quad-service procurement/production planning**
- **Reduced funding results in**
  - **Reduced sustainability/constrained training**
  - **Reduced opportunity for competition**
  - **Underutilized productive capacity/ loss of workload**
  - **Increased unit costs**

In summary, I think our 1989 submission focuses on readiness of our current forces. We have had to protect that readiness to some extent, not only in munitions programs, but in other areas of our submission, at the expense of some sustainability.

We had to slow our WRM inventory growth and in that slowing, we want to place particular emphasis on modernizing the stockpile.

We are also sensitive in our 1989 submission to keeping the production base viable, and we work very closely with the other three services in making sure that the quantities that we are asking for will permit us to keep a competitive posture to the best of our ability, as well as economical production rates.

We also work very closely with the single manager and also General Greenberg's organization to make sure that we have a good inflow or interchange of information between the services because we believe that there is a synergy in our programs, and we need to harmonize what we do with the other services to emphasize good procurement and production planning among all the services.

The reduced funding in 1989 will result in reduced sustainability and somewhat of a constrained training environment. It will impact our ability to compete programs and, as General Greenberg testified, have some impact on our production capacity, some loss of workload and will, in fact, drive up some of the unit costs. But, nonetheless, when we reviewed the munitions budget in the context of the overall Air Force budget, those are the kinds of hard decisions that we had to make to keep that budget in balance sir, to meet not only the readiness and the sustainability goals of the Air Force, but also force structure and modernization concerns that we had.

That concludes my remarks.

[The prepared statement of General Bracken follows:]

STATEMENT OF: MAJOR GENERAL EDWARD R. BRACKEN
DIRECTOR LOGISTICS PLANS AND PROGRAMS
DEPUTY CHIEF OF STAFF/LOGISTICS & ENGINEERING
HEADQUARTERS, UNITED STATES AIR FORCE

Mr Chairman and Members of the Committee

I welcome this opportunity to appear today to discuss the Air Force's Munitions and Associated Equipment Budget Program that is contained in the amended FY 89 President's Budget Request under the Other Procurement, Air Force Appropriation.

Before I discuss the particulars of the amended FY 89 request, I wish to make some general comments about the munitions budget we have submitted. The FY 89 request represents a very modest increase over the FY 88 appropriation level, 12 percent. However, it continues to signal our determination to support adequately the two major components of the program, Training Munitions and War Reserve Materiel, which are essential to the readiness and sustainability of our force. The funding for training munitions rises 8% over the FY 88 appropriated level, while War Reserve Munition Funding grows by 13%. There have been some increases in quantities and dollars for essential training items and for war reserve material growth, but the major increase can be attributed to one program, BIGEYE, which has increased from an appropriated level of zero in FY88, to a request for $89.5 million in the amended budget submission. If you were to compare the FY89 column of last year's biennial budget to the amended request there is a $162.8 million program reduction. However, $111.2 million of the difference results from a production deferral of the Sensor Fuzed Weapon and $14.8 million relates to the Mechanical Diverter program which has been cancelled. So, basically, there has been very little change in program content between what was submitted as the FY89 program last year and the amended request you have now.

I would add that the FY 89 amended budget submission's funding level is evidence of the commitment the Congress and the

Executive Branch have made to meet deficit reduction goals, and to ensure that budget levels are in consonance with the overall funding parameters that have been established. With your support, in the six year period from FY 82 through FY 87 we have invested $5.8 billion for munitions procured in this budget program. This investment has allowed us to replenish peacetime stock levels, refill the pipeline, fully sustain training operations, and procure a sizeable increment of war reserve materiel. However, in recognition of the federal deficit and overall Air Force priorities, the funding levels in FY 88 and FY 89 are considerably smaller; though manageable with prudent risk. These lower levels must be examined not solely by the traditional methods of evaluation which focus on a limited set of factors such as leadtimes and funded delivery periods; but must consider as well the three major components of a healthy munitions budget, that is, whether the budget contributes to readiness, sustainability, and maintenance of a viable production base. It is these three components that I wish to address more specifically as areas of concern.

The first area is training munitions. As I mentioned previously, the FY 89 amended submission contains a small increase over the FY 88 appropriated level and constitutes no major departure from the previous FY 88/89 submission in content. In testimony presented last year, the Air Force indicated that the FY 88 request for training munitions provided full funding of the budgeted aircrew and ground personnel training programs without resorting to drawing down WRM stocks. We stated as well that to meet the lower fiscal guidance in FY 88 and 89, the Air Force had accepted some minimal degradation of Peacetime Training Pipeline Stock Levels. However, in a few cases in the past year, we had to go beyond degrading these stock levels and use WRM stocks to adequately train the active force and to ensure sufficient support of Air National Guard and Air Force Reserve requirements. In part, this usage of WRM assets for training purposes results from a single issue; and that is the contention that the quantity to be procured for training by the service should be essentially the same as the historical peacetime expenditure rate. This position ignores the fact that the user may want to increase training for a particular item for any number of reasons, but primarily aircrew proficiency. It assumes as well that historical rates of expenditures are valid indicators of future usage. Prior year expenditure rates are affected by numerous factors ranging from production problems to a lack of sufficient transportation funds to ship munitions, to the type of munition that can be used on a particular range or during a particular time of year. Therefore, reductions in program quantities based solely on past expenditure data can have grave consequences not only for training a year or two in the future, but reduced quantities preclude us from building an adequate peacetime stock level that we can rely on during periods of fiscal constraint such as we confront now and most likely will face in the next few years. The large appropriations you provided in FY 86 and FY 87 gave us the means by which we could inform you last year that the 12% reduction in FY 88 training munitions funding meant some minimal degradation of peacetime stock levels. But the FY 86 and FY 87 programs deliveries are nearing completion. The FY 89 budget affects training for calendar year 1991 and the training environment of the future that we perceive is not one of abundance given the size of the FY 88 and 89 budgets. We will no longer have the benefit of large peacetime stock levels to use as a buttress against quantity reductions. To reiterate, reduction of program quantities purely on the basis of past expenditure rates can have dire consequences for maintaining proficiency which ultimately affects the readiness of our force.

The second area of concern is sustainability. As is the case with training munitions portion which represents readiness, the sustainability portion of the FY 89 amended request, known as war reserves, has increased marginally over the FY 88 appropriated level. We have made great gains in the past few years adding not only assets to our inventory levels and generating larger sortie rates, but also modernizing our inventory with weapons which have qualitative value and which act as force multipliers. CEM and Laser Guidance Kits are examples of this aspect. Nonetheless, lower fiscal levels will result in slowing the rate of tactical munitions sustainability. Reliance on older, substitute munitions will not abate and achievement of Defense Guidance mid-term objectives will most likely be stretched out from the projections made a few years ago.

The third and final area of concern is the production base. In the past the predominant view has been that all the services' budgets could be viewed as discrete entities, and that a reduction in one service's budget would not affect another service's program or the industrial base. The services themselves have learned that this contention is not true, that there is a synergistic relationship that requires the programs of the four services to be harmonized as a means of obtaining economies and efficiencies. In an era of declining fiscal resources we have become even more attuned to how interdependent we are, and how program size influences the industrial base both in terms of workload and employment. I am pleased to say that in the last year the services have initiated or refined a number of actions to ensure that we are continually sensitive to how our budgets affect one another as well as those plants and factories that constitute the industrial base. These actions include quarterly joint service meetings sponsored by the Office of the Executive Director for Conventional Ammunition, more active participation at the annual Quad-Service Integrated Conventional Ammunition Procurement Plan (ICAPP) Conference, and formal exchanges of information and data during Program Objective Memorandum (POM) and budget development exercises, to name a few. These efforts allow the services and the Single Manager for Conventional Ammunition (SMCA) and to adequately plan and balance workload, particularly for load, assemble and pack facilities, to gain more economical unit prices through economies of scale, to identify and target production base investment, and to ensure that contractual actions are taken on a prioritized basis which ensures that munitions deliveries meet critical training needs and war reserve requirements. Yet, improved procurement and production planning is not enough.

When munitions budgets were large, reductions in programs did not adversely impact the industrial base to a serious degree. Yet, in a period of reduced budgets there is a danger that the industrial base may shrink. Congress itself has evinced interest in this subject. Dwindling munitions budgets can threaten an industrial base needed to support wartime surge capability as well as to promote competition and thereby obtain reasonable costs during peacetime. The old focus on such issues as historical expenditure rates, excessive procurement leadtime, or extended funded delivery period must be discarded. Instead, we must focus on other facets if we are to retain a viable production capability. This new approach must concentrate on such issues as whether reductions in munitions programs force producers out of business by providing inadequate quantities to maintain two producers and whether program reductions force the services to maintain programs at uneconomical levels. The importance of these type of issues cannot be treated superficially. For example, there are certain items which we procure solely for war reserve purposes. These procurements not only provide for increased sustainability, but allow us to establish a production surge capability. A producer, however, which has been producing at a minimum sustaining role or less is going to require considerably more time to meet wartime production surge demands than one which is producing at a higher rate. The reality is with reduced fiscal resources the production base will dwindle. The challenge is to balance this concern with the erosion of force structure, modernization, readiness, and sustainability.

We are making every attempt to minimize the impacts that a lack of robust munitions budgets is having on our munitions producers while ensuring that the prices we pay are fair and reasonable. Examples of these efforts include agreeing to an Army proposal to have an Army Ammunition Plant act as an infrared countermeasure flare manufacturer because of a shrinking flare industrial base, using multiyear procurements, and maintaining relatively stable annual requirements so we do not cause unnecessary production perturbations. Finally, we are attempting to program sufficient quantities to maintain two producers by splitting awards and thereby ensure adequate production sources for surge requirements. We are also working with the Army Single Manager for Conventional Ammunition in developing sensible acquisition strategies and exchanging programmatic information on a periodic basis. But these efforts, as I mentioned earlier, are only a part of the necessary efforts. These activities will continue to be important in the future; but equally important will be the manner in which GAO and Congress consider programs and deliberate on reductions. During GAO's Review of the Air Force's FY 88 we were fortunate in getting GAO to recognize the validity of industrial base factors in their review. As the GAO's report on the FY 88 President's Budget pointed out in regard to the 30mm training round, a specific number of cartridges "are needed to ensure competition between the two producers." It is this type of consideration that must prevail in the future.

As I stated previously, we have submitted a budget that makes every attempt to produce at an economical production rate and to ensure that surge capability is reasonably attainable. Nonetheless, we all need to recognize that changes to munitions budgets in the future will have to be predicated on a number of factors such as production capacity, surge capability, economic production rates, industrial base impacts and overall Air Force sustainability goals, and not the measures used in prior years. To ignore these readiness, sustainability and production-related factors in an era of retrenchment and to focus only on the traditional areas of leadtime, funded delivery periods, and excess peacetime inventory would be unfortunate. We are cognizant that the Air Force faces a period of constrained budgets and we believe such an environment calls for new measures of efficiency and economy; measures that ensure readiness, sustainability, and industrial capacity as well as the economy the American taxpayer has a right to expect.

Now I would like to briefly discuss some of the specifics of our request. In the past such a discussion has focused primarily on each major munitions category and provided examples of and information on some of the items being procured. This year I would like to present a different "tour" of our submission. I'll still point out some highlights, but I also want to give you some insights regarding how we are dealing with the issues of concern I addressed in my general comments.

As in the past, the munitions budget program includes all munitions (except missiles) and related equipment necessary to support the total Air Force. The FY 89 request is for $679.7 million, 70% of which is for additional war reserve stocks, the balance primarily for peacetime training. The request includes funding for 25 distinct program lines and more than 60 other items for which the request is less than $2 million for each item. The cost of individual items continues to range from a few cents per round to approximately $15,000 per unit for the sophisticated Combined Effects Munition (CEM). The majority of the program will be managed by Air Force Logistics Command and procured through the Army's Single Manager for Conventional Ammunition. As the following table illustrates, the largest of program growth is in the bomb category, which continues emphasis on growth of WRM stockage levels of our newest bombs, CEM and the Improved 2000 pound Hard Target Bomb.

MUNITIONS AND ASSOCIATED EQUIPMENT
($ IN MILLIONS)

	FY 88	FY 89	DELTA
RKTS & LAUNCHERS	30.0	31.9	+ 1.9
CARTRIDGES	122.7	132.6	+ 9.9
BOMBS	333.9	419.5	+ 85.6
TARGETS	1.2	1.3	+ .1
OTHER ITEMS	73.1	62.3	- 10.8
FUZES	34.5	30.1	- 4.4
OTHER WEAPONS	5.7	2.0	- 3.7
TOTAL	601.1	679.7	+ 78.6

I will now discuss each of the seven categories in greater detail.

ROCKETS AND LAUNCHERS

The increase in this category is minimal, and results from an increase in the WRM procurement quantity for the AT-4, Light Anti-Tank Weapon, and in the Items Less Than $2 Million category due to increased requirements. Yet the most significant item in this category is the 2.75" Rocket Warhead. The standard price for this item actually decreased which allowed us to gain some increase in quantity. The reason I bring this item to your attention is that recent annual training expenditures for this item have not been as large as in prior years. The item is in critical short supply and the Air Force has had to use war reserve stocks to meet important training needs. As to why this problem has occurred, one reason is apparent. Leadtimes have increased due to competition requirements. While we do enjoy the benefits of competition by garnering low unit costs, the administrative cost in terms of time and resources cannot be overlooked. Competition sometimes results in a new vendor being awarded the contract; this vendor requires sufficient time to produce a qualified first article. Thus, administrative and production leadtimes increase. I am not advocating that measures promoting competition be forsaken, only that it must be recognized that competitive practices do have impacts, ones other than beneficial cost savings.

CARTRIDGES

This category is composed of various types of cartridges ranging from rounds for small arms to aircraft cannon ammunition to cartridges that dispense chaff or eject aircraft stores such as bomb racks and pylons. In this category we have enjoyed savings through reduced unit costs, but we have also placed considerable emphasis on increasing training munitions quantities. A prime example of this is the increase in 20mm training cartridge quantities. During the last ten months, the Tactical Air Forces have informed us that the 20mm training round is their number one training priority item. In reference to my previous comments, if past expenditure rates are the criterion on which one would evaluate the validity of this increase, then this growth would seem unreasonable. But it would not consider where the Air Force is placing its present and future training emphasis. The A-10, which uses 30mm training ammunition, is undergoing a change in mission role. Therefore training munition requirements may decrease slightly in the future. This decrease must be balanced by an increase in 20mm training rounds to support air-to-air and air-to-ground gunnery training for the F-15 and F-16 aircraft.

We have also increased the Items Less Than $2 Million (Cartridges) budget line. The emphasis here is on ground defense training. As you know the Air Force has an equally important responsibility to maintain the security of our air bases. Personnel charged with this responsibility require adequate training also.

Nonetheless, the largest dollar value program in this category continues to be the 30mm training round. In the past we have been able to have a dual source production base for this item because of large requirements for 30mm combat rounds, and the training round. The FY 87 budget was the last year both combat and training rounds were procured. Nonetheless, the FY 88 contract has maintained the dual source because quantities were large enough to warrant keeping two producers. As GAO noted in their review last year, at least eight million rounds are necessary to maintain competition. This year the Air Force has asked for a small quantity increase of 641,000 rounds over the FY 88 amount. This increase was made with the view to maintaining dual source competition if possible and to build sufficient peacetime stock levels as we posture ourselves for a possible decrease in requirements. This decrease is predicated on two variables: one, how rapidly the A-10's mission role changes and is felt in the field; and two, whether a new close air support aircraft will utilize 30mm cannons. Until those decisions are made, we are obligated to ensure that adequate training rounds are available and that we appropriately posture ourselves to maintain competition and the industrial base, as well as possibly downselecting to a single vendor in the outyears. We have always argued for maintaining an adequate production base for this item and that argument has prevailed. But fiscal scarcity has forced us to face the possibility that the successful dual source competitive strategy of the past years may have to end shortly.

BOMBS

This category has the most significant funding growth and has traditionally been the largest dollar value category because of the higher unit cost associated with these items. Within this category there are several munitions I want to draw your attention to this year. The BSU-49 program is requested at a level consistent with the FY 87 and prior year quantities. This increase in quantity over the FY 88 level is necessary to prevent degradation of WRM stocks for training purposes. The FY 88 program was reduced 8,876 units, so there already was the possibility that WRM levels would be affected. At this point, we don't expect a substantial reduction in WRM assets but we were looking at trends and we didn't like what we saw. Also, the FY 89 quantities are substantial enough that we may be able to retain two producers in the base. If these quantities are provided, we will have to work with the Army on an acquisition strategy to maintain two manufacturers and competition. Regarding other items in the category, we find small gains or reductions. CEM which constitutes 37.2% of our request has been reduced by $14.2 million; however, as a result of a very favorable acquisition strategy, we believe we will actually be able to acquire 2,866 more CEMs in FY 89 than originally projected.

OTHER ITEMS

The other item category includes a number of diverse items that include infrared countermeasure flares, explosive chaff, spares and repair parts, modifications of in-service equipment and a wide variety of items for ground defense, training, and explosive ordnance disposal. The key items in this year's submission are the infrared countermeasure flares: the MJU-7, MJU-10, and B-1B (MJU-23). These flares are used to decoy air-to-air and surface-to-air heat seeking missiles away from aircraft. The funding for flares that has increased over the FY 88 appropriated level is for the MJU-10 for the F-15 and the B-1B flare (MJU-23) for the B-1 bomber. Countermeasure flare development and production has a long history of problems. In addition, the flare production base has had several problems related to plant explosions, safety and environmental violations, plant closings, and quality control. This has led to a shrinking number of producers in an industry with increased contractor risk both in terms of liability and opportunity to obtain sufficient contracts to stay in business. The Army with the support of the other services devised a plan aimed at maintaining a viable production base, reducing turbulence in the marketplace, minimizing delivery interruptions, and retaining low costs. Again our efforts are directed toward maintaining a warm production base (in this case for the production of flares) and assure adequate funding levels to support training and attain war reserve stockage growth.

As I mentioned previously, the two major flare programs are the MJU-10 and B-1B flare. In the past both flares have experienced production delays. We are confident that associated technical problems have been resolved. The MJU-10 flare FY 87 contract was awarded in Feb 88. Our intent is to award the FY 88 contract by the end of the fiscal year. We are working with the Army to keep this program on schedule despite delays in transferring program management responsibility from the Air Force Systems Command Product Division to Ogden Air Logistics Center. Regarding the B-1B flare, the technical solutions with the primer are being worked and we expect the remaining tests to progress as planned. Additionally, the developmental flares have successfully ejected during flight test.

In terms of the other items in this category, they have remained relatively stable though modifications have decreased because of Congressional support last year in ensuring that the modification of the GBU-24/B Low Level Laser Guided Bomb Kit became a reality. This was a one-time modification of inventory kits and it gave us a significant capability in terms of stand-off and destruction of a particular target set.

FUZES

This category includes only the FMU-139 fuze which is a joint service fuze. The Navy is the lead service. It is an important fuze since it provides fuzing capability for laser guided bombs, MK 80 series general purpose bombs, and the M117 bomb. It is essential to the Air Force since it will replace older, less effective fuzes now in the inventory. Included with the fuze is the DSU-30/B proximity sensor which is also a joint service effort with the Navy as the lead service.

OTHER WEAPONS

This category has experienced a small decrease from the FY 88 appropriated level. Only two weapons are being requested: The M203 Grenade Launcher and the 9mm Handgun. The latter program completes the Air Force portion of the five-year multiyear contract administered by the Army. The former continues our efforts to deliver a weapon that provides high volume and suppressing fire for Air Force security forces that are defending overseas air bases and nuclear weapons storage facilities.

CONCLUSION

I would again like to emphasize that although the FY 89 amended budget submission contains small growth over the FY 88 appropriated levels, it does provide the Air Force with some growth in training munitions and war reserve stockage. I have to underscore my previous point that in developing this budget the Air Force made difficult choices, but these choices reflect our effort to ensure a proper mix of munitions for readiness and sustainability purposes and to commit ourselves to retaining an industrial base sufficient for both economic peacetime acquisition and mobilization. I thank the committee for this opportunity and for its support in the past, and solicit your continued assistance in helping us to attain the goals encompassed in the FY 89 amended submission.

Mr Chairman, this concludes my prepared statement. I would be pleased to respond to any questions you may have.

Senator DIXON. I thank you very much, General Bracken.

Let the record show that the distinguished Senator from Colorado, Senator Wirth, was here, but had to attend another committee meeting this morning.

I would like to ask both of you gentlemen to see to it that both of those graphs that you have been kind enough to show us are reproduced in the record. Staff will work with you on that.

I hope you have extra copies of them.

Now I would like to recognize the distinguished Senator from South Carolina for questioning.

Senator THURMOND. Mr. Chairman, I want to commend you for holding this hearing. I think it is a very important matter that we are taking up.

AMMUNITION REQUIREMENTS

General Greenberg, you described the process where by the Army, as a service and as an executive office of ammunition, determines your ammunition requirements.

It is evident that the request is much less than the requirement. Whether constrained by budget limits or by policy decisions, the request is still, it appears to be, low.

What percentage of the total computer requirement, as estimated by the programs, is the fiscal year 1989 amended request?

General **Greenberg**. Sir, I think that we are buying about 85 percent——

Senator **Thurmond**. And any questions that I ask, if you would rather answer them for the record, it would be all right.

General **Greenberg**. If I may, sir, let me answer it generally and then let me provide more specific answers for the record.

As we compute our requirements, we build an unconstrained 180-day warfighting scenario worldwide.

We determine the number of dollars needed to buy that entire 180-day scenario. We then take a look at the dollars that the service has been provided, and the amount that the ammunition appropriation is permitted, and we try to build a balanced program with those dollars.

We attempt to provide the number of days of supply that the Secretary of Defense asks us to provide. That number is classified, and we could talk about it later in the classified session, sir.

But, on balance, we attempt to maintain enough dollars in the program to support 85 percent of our training requirements and to satisfy the number of days of supply that OSD has asked us to satisfy.

We have not been able to achieve that this year.

We have been able to maintain the 96 percent training support, but we have had to allow some item days of supply to slip.

Since days of supply is unique to each ammunition item, you would almost have to discuss each item individually to determine which is which.

Some of the newer items we cannot bring on nearly as quickly as we would like. On some of the older items, we are allowing some training drawdowns to eat into the stockpile to some degree.

Considering the fact that we are about $200 million less than what we had originally intended to ask for in 1989, we, nevertheless, feel that we have balance, and the risks are minimal, sir.

DOLLAR VALUE OF TOTAL AMMUNITION REQUIREMENT

Senator **Thurmond**. General Greenberg, what is the dollar value of the total requirement?

General **Greenberg**. Sir, I need to provide the specific number for the record.

Senator **Thurmond**. That would be all right.

General **Greenberg**. But if you are talking about the entire 180-day stockpile, the 180-day requirement—let me provide that.

[The information follows:]

Hardware/Production Base Requirement

The total hardware requirement is $65.6 billion and the total production base requirement is $7.8 billion.

Senator **Thurmond**. How much of that requirement is hardware and how much is it production base?

General **Greenberg**. Again, I will provide that, sir, for the record.

[The information follows:]

Dollar Value of Total Ammo Requirement

The total dollar requirement to purchase the entire 180-day stockpile is $73.4 billion.

AMMUNITION ACCOUNTS

Senator **Thurmond**. Now, during previous years—and I would like for you both to answer this—it has been a practice to receive a move-around list for the ammunition accounts. The lists have been provided from subcommittee markups to the authorization conference.

This practice has been very helpful in holding the total amount of funds requested.

I wonder if we can count on your help again this year in doing that?

General **Greenberg**. Yes, sir.

[The information follows:]

Ammunition List

Based on information we have learned since submitting the fiscal year 1989 request, if the committee were to move around programs, we would propose the following changes be made to meet what are essentially critical training requirements identified by the Tactical Air Forces:

Item	Quantity	$ (In million)
30MM training	−1,200K	−9.264
20MM training	−2,000K	−4.940
MJU-10/B IR flare	−124,000	−5.621
Total		−19.825
MK-84 bomb, empty	+10,000	+12.250
BDU-50 practice bomb	+7,180	+1.975
Hard target bomb, 2000lb	+500	+5.600
Total		+19.825

These are the only changes we would make since we believe we have a balanced and executable program otherwise. We recognize that these changes will affect planned acquisition strategies, but the essentiality of heavyweight training munitions to maintain combat readiness is paramount. The off-sets identified still allow us to maintain an executable level of production and take into consideration any procurement or production issues that have arisen in the past few months.

General **Bracken**. Sir, we will do likewise. We work not only with our own people to determine what the requirements are, but we look at the capability of the Army to procure and produce in the facilities that they operate which consumes about 85 percent of our budget. We will be able to make tradeoffs, based on prices of munitions that we achieve as we negotiate contracts to maximize the number of items that we buy, given the funding constraints that we have to live with in the 1989 submission.

Senator **Thurmond**. Thank you.

9MM HANDGUN PROCUREMENT

General Greenberg, another 9 millimeter personal defense weapon handgun procurement is on the way at this time. When do you expect the sole selection will be made on this action?

General **Greenberg**. Sir, that is not an area that the ammunition appropriation is involved in.

I can certainly get that information for you, however, and provide it for the record.

Senator **Thurmond**. If you would furnish that for the record, we would appreciate it.

General **Greenberg**. Yes, sir.

[The information follows:]

Sole Source Procurement of 9mm Handgun

Source selection and award of the new 9mm pistol procurement are presently scheduled for not later than September 1988. This is in accordance with congressional direction provided in 1987.

It is not possible at this time to determine an estimated date for 9mm source selection because of the open status of a protest to the General Accounting Office on the new procurement.

The final decision on protest B-229505, filed by Smith and Wesson (S&W), Springfield, Massachusetts, will greatly influence all remaining milestones for this procurement.

The Comptroller General rendered a decision on the S&W protest on February 25, 1988 partially sustaining and partially denying the protest.

The Army requested reconsideration of the protest decision in a letter to the Comptroller General on March 11, 1988. The Army's position is that S&W's protest should not be sustained.

If the Army prevails in the protest decision, source selection and award can be made by, or prior to, September 1988 depending on the timeliness of the decision.

If the Army does not prevail in the protest, a new competition is envisioned, and new milestones will have to be established.

There is no estimated date for the Comptroller General's final decision on the S&W protest.

NEEDS AND REQUIREMENTS

Senator **Thurmond**. General Bracken, in your statement, you stress the point of not basing future requirements on past usage rates and operations tempo. Because the DOD requests are always less than the service needs and requirements which are based on usage in OPS tempo, usage rates in OPS tempo are not good indicators.

What indicators should we use to cross-check requested quantities?

General **Bracken**. Sir, as I mentioned in my prepared statement, budget submissions, assessed on usage rates are not always a true indicator of future performance. The mission of the particular unit or summation of all the units may change. The training requirements then are a reflection of that mission change, and we may have to increase the training consumption in a particular year.

In addition, previous years may have been constrained in training consumption because of weather or availability of ranges and things of that nature.

So, training munitions consumption, based solely on past usage rate, is not a very good indicator, in my view, of what future or then-year submissions should be.

I think we should be sensitive to concerns of sustainability, what kind of readiness posture we want to have for our forces, things like production base planning and procurement milestones. These are the kinds of things that we need to focus on in the future, given the constrained budget levels that we have to deal with.

I think those are more appropriate indicators than past expenditure rates or production lead-times or delivery period kinds of performance.

Senator THURMOND. I have a Judiciary Committee nomination now that I have to go to.

I thank you gentlemen. I may have a few more questions for the record, Mr. Chairman, which I will submit.

Senator DIXON. Thank you, Senator Thurmond.

AMMUNITION STOCK SHORTAGES

General Greenberg, on Wednesday, we heard testimony from the designated representatives of four of the unified combatant commanders. All four of the witnesses cited shortages in their level of effort ammunition stocks, particularly modern artillery ammunition, as one of their major sustainability concerns.

Based on the funding profile you are showing us today, is it fair to conclude that level of effort ammunition sustainability in the Army is not going to improve significantly over the next several years?

General GREENBERG. That's correct, sir.

Based on the budgets that we seek currently and what we are predicting in the future, it would appear that, unless we make some very hard choices as to the kinds of ammunition we buy, and eliminate some of the lesser effective systems, the increase in sustainability will not grow the rate that we would prefer.

READINESS

Senator DIXON. Every one of our witnesses so far, I think, has indicated at least a degree of satisfaction about our readiness. I think all of them are concerned about the fact that we are giving up sustainability to keep readiness in this budget.

I think the evidence here, from both of you gentlemen, underlines that fact.

Would you agree with that?

General GREENBERG. Yes, sir.

Senator DIXON. Last year's budget showed the new 105-millimeter XM900E1 tank round going into production in 1989. This year's amended budget does not show any procurement for this new, improved round.

Why is that?

General GREENBERG. Sir, we had thought we were going to provide it to you for your consideration in 1989.

Senator DIXON. Is it classified to ask whether there are technical problems?

General GREENBERG. No, sir, it is not classified. The answer is no, we are on schedule with the development of that round.

What we were going to ask you for in 1989 was the limited production quantities. We were going to type classify it "limited production," in order to get a leg up on fielding the round as a standard system in the 1990 timeframe.

It is a moderate risk program. The Army leadership felt at this time that, because of the risk, we would delete it from the 1989 program, and assure that it will be ready for production in 1990.

Senator **Dixon**. I see.

You are going to put it into 1990?

General **Greenberg**. Yes, sir.

COPPERHEAD ARTILLERY ROUND

Senator **Dixon**. I notice this budget terminates the Copperhead artillery round.

Isn't this the only smart artillery round that we have in production? Why are we cancelling the program?

General **Greenberg**. The answer is yes, it is.

I mentioned a moment ago hard decisions that one had to make. Faced with a TOA that is less than what we would like it to be, and in looking at the capability of the M864 155mm artillery projectile, which is an extended range revision of the M483 projectile, which we'll probably discuss in a moment, and the other types of systems that we needed to fund, such as research and development for the SADARM munition, it was felt that, because of Copperhead's limited operational capability, in that it requires a laser designator and an individual with a line-of-sight view of the target during the last portion of the Copperhead flight, it does, indeed have a limited capability.

It was felt that, rather than spend more money on that system, we would increase funding in the other areas, and proceed with a research and development program, which would give us a follow-on Copperhead II very quickly.

That was our intent.

Senator **Dixon**. I see.

120-MM MORTAR PROGRAM

You also terminate the 120-millimeter mortar program. But I hear you may be reconsidering.

Would you comment on that?

General **Greenberg**. Yes, sir.

We are reconsidering that program, certainly for 1990. There is a substantial program being developed for 1990 and beyond.

We are looking at 1989 as to whether we, in fact, would like to add the 120 millimeter mortar program as part of that push-around list that Senator Thurmond mentioned.

Senator **Dixon**. If you will permit this Senator a little parochialism, my colleague and friend, Congressman Jack Davis of Illinois, who is on the House Armed Services Committee, called me and talked to me about the possible use of the Joliet ammunition plant as the location for the M864 baseburn operation.

I understand that the program has been awarded to Talley Industries.

I would appreciate it, General, if you would work with my staff to see what can be done to have the dual purpose improved conventional munitions baseburn operation located at Joliet.

Would you talk to them about it?

General **Greenberg**. Yes, sir.

As I told Congressman Davis last week, we have not received anything from Talley Industries asking that they be permitted to locate it at Joliet. It is our understanding that they are going to produce the base burner at their Mesa, Arizona facility.

Should they ask the Army for that consideration, we will discuss it with them and see if something can be done.

FUNDING LEVELS FOR ARMY AMMUNITION

Senator **Dixon**. Do you believe the funding levels for Army ammunition over the next couple of years will be sufficient to keep open all of the currently active Army ammunition plants?

General **Greenberg**. Sir, I am doubtful.

The fiscal years 1987, 1988, and 1989 funding streams, as they currently exist, and which you have before you, would indicate that I am going to drop about 5,000 man-years of effort out of the Government-owned contractor operated base. That is 5,000 man-years. It does not necessarily equate to people, sir, because we move some people around to accommodate.

When you reach a level below what we would consider minimum sustain rates, some decisions have to be made about whether we should maintain that plant.

Frankly, our current budgets will provide for fewer plants than we actually have.

So, what we are doing is spreading the pie around to a much larger population than we think is viable.

AMMUNITION CONTRACTORS

Senator **Dixon**. General Bracken, the $252.9 million for combined effects munition takes up over a third of your ammunition budget, and I believe you have two contractors competing for each year's procurement.

I will ask you how much longer you expect to be buying enough of this to keep two contractors in competition.

General **Bracken**. Sir, I would prefer if we could talk about that during the closed session, because we are in a competition sensitive kind of environment on the fiscal year 1988 procurement.

Senator **Dixon**. That would be all right.

SENSOR FUZE WEAPON

Last year's budget showed the new sensor fuze weapon going into production this year. This year's amended budget does not show any procurement for this new smart bomb.

Is it classified to ask you whether there has been a technical problem with the program?

General **Bracken**. Sir, it is a very important weapon for the future in the antiarmor world or target spectrum.

We have had some technical problems at the submunitions level with this weapon, and we have elected to defer procurement into the POM years to correct those problems before we ask for any procurement money to produce those weapons.

Senator **Dixon**. So, the deferral is basically to make some corrections?

General **Bracken**. Yes, sir.

Senator **Dixon**. I would like to ask both of you what portion of your annual ammunition program is awarded to offshore producers.

Could you answer first, General Bracken.

General **Bracken**. Sir, I don't have the specifics on that, and I would like to submit that for the record.

[The information follows:]

Ammunition Contracts Awarded to Offshore Producers

Based on historical data for fiscal year 1986 and fiscal year 1987, approximately 6.5 percent of the Air Force's annual munitions program has been awarded to offshore producers. However, one program, Durandal, constitutes more than ninety percent of this offshore production figure. Durandal is not being procured after fiscal year 1987. If Durandal is not considered in the calculation, then the annual portion is less than one percent. These offshore procurements were made on items for which the Army Single Manager for Conventional Ammunition serves as the procuring agency.

General **Bracken**. I don't have the actual numbers, but it is a very small amount. Mostly the Army procures our munitions in that regard.

Maybe General Greenberg could talk to the details of that.

Senator **Dixon**. Would you be kind enough to supply that?

General **Bracken**. Yes.

Senator **Dixon**. We are going to have some defense industrial base hearings very shortly, and I would like to have that, if you could in short order.

General Greenberg, can you give me that?

General **Greenberg**. Sir, the last year, in fiscal year 1987, it was about 2 percent.

Senator **Dixon**. Well, I would say that is a reasonably low figure. I am surprised.

General **Greenberg**. That is broken down into a couple of things.

Senator **Dixon**. I am being told by staff that that is prime, that is a prime contractor.

General **Greenberg**. Yes, sir.

Senator **Dixon**. I am told that the complaint is a lot of these subcontracts are going offshore that we are not aware of.

General **Greenberg**. Sir, if you will permit me, in 1987, with the 1987 appropriation, we began to add a clause to our contracts requiring that for critical items—and that makes up about 90 percent of what we buy—that we buy from the United States and Canada. That is right there, in the solicitation, before it goes out.

We also require that the subcontractor for those critical components buy in the United States.

Senator **Dixon**. You mentioned the year that you started that. Was it 1987?

General **Greenberg**. Let me check my notes here. I believe it was 1987.

Yes, sir.

Senator **Dixon**. I am not trying to foul you up on that. If you could just give me the numbers in due course, in short order, on all of that, I would like the clause in the contracts that you have referenced, if you could reproduce that for the record.

Could you do that for me?

General **Greenberg**. Yes, I can.

[The information follows:]

OFFSHORE PROCUREMENT/CLAUSE—U.S./CANADIAN PRODUCTION BASE FOR COMPONENTS IN SUPPORT OF MOBILIZATION BASE ITEMS

TEXT

1. The items listed herein are considered critical to national defense and will be produced and procured only within the United States and/or Canada.

(1)
(2)
(3)
(4)

2. The contractor will insert the substance of this clause, including this paragraph 2, in every subcontract to ensure flowdown to, but not including raw materials.

MIX OF AMMUNITION PRODUCTION

Senator DIXON. General Greenberg, how do you decide the mix of ammunition production between the Government-owned and the private contractor facilities?

General GREENBERG. Sir, as I mentioned in my opening statement, about 35 percent of the hardware budget goes into the Government-owned side. The balance goes into the commercial sector.

We have stated, as a matter of policy, that we believe that the Army should own those activities involved with lethal munitions; that is, propellant and explosives, and activities like load assemble and pack facilities that use lethal explosives.

There is a large amount of land requirement that a commercial producer would find difficult to buy or be made available to him.

It is not a product that has any commercial application and, therefore, he would find it very difficult to diversify.

So, for a lot of reasons, we believe that lethal munitions ought to be produced in government plants.

Now, we believe that it is important for the metal parts procurements to be bought from the private sector. However, because of shortages of capability over the last few wars and conflicts, starting with the Second World War, building through Korea and Vietnam, we have had to build our own facilities to supplement the private sector.

The intelligent thing would have been to have divested ourselves of those metal parts facilities so that we don't compete with the commercial world.

There are a lot of reasons why we don't do that. In fact, we are looking for ways to divest ourselves of those metal parts facilities. And, if I may be candid, sir, a lot of the reasons we are hanging on to them is because of pressures from your colleagues to maintain the workforce and the workloads at those facilities, because they represent large numbers of jobs in some very economically underdeveloped areas.

Senator DIXON. Let me ask you both a kind of generic question, and then I am going to go to the private sector folks for a little while, and you can step down, if you don't mind, and come back thereafter. Then we will close this with a classified session.

I presume you were both in the process of prioritization by virtue of which we have come to the place that we are talking about, the numbers that we are talking about today, and you played a part in these numbers that are reflected in the testimony you have given and the charts that you have showed us.

AMMUNITION AND SPARE PARTS

Some of us continue to believe that ammunition and spare parts and some of the so-called mundane stuff is the stuff that has been suffering, you know, a lack of concern for a really long period of time.

While I hear you saying that you are basically reasonably satisfied with how it has turned out this year, I know what your hearts tell you.

I would just ask you this question.

What kind of number that is a reasonable number would better address your problem if we could find some place to find any money this year?

General **Bracken**. Sir, with respect to spares and munitions, we had to make some tough choices as we downsized our spending levels from what we submitted in 1988. In recognition of what was appropriated in 1988, and then looking at the number we had to achieve in 1989 as a result of the summit agreement, in terms of TOA and outlay targets, we had to accept the same kind of constraints we are going to have to live with in the 1990 through 1994 POM.

And so, we had to make some tough choices.

We, in constructing our 1989 budget, had to look at readiness of our forces. We made some tough choices that involved some sustainability that we put risk, both in the spares area and in the munitions area.

But, in the case of the Air Force, if you look back in the early years of the 1980's, up through the 1986–1987 timeframe, we funded spares quite well. It was only in the 1988 and 1989 submission that we have backed away, if you will, from some of the kinds of considerations that drove our original submissions in the early years of the 1980s.

In actuality, in 1988, we had in the spares budget about $400 million or $500 million of WRSK funding for spares, which were taken through congressional marks in the spares area.

In 1989, in recognition of those marks, we were still not able to finance any WRM spares for airplanes, if you will, because of the pressures to size down and transition to the lower kinds of budget levels that we have to accommodate in 1989 as well as through the POM years, from 1990 to 1994.

So we did make some choices.

I can tell you, though, that in the 1990 POM, you will see some spares money for WRM kinds of considerations.

The same kind of tradeoffs had to be dealt with in the munitions area. We gave up a lot of things, not only munitions, but spares, and we gave up force structure and some modernization programs, to preserve, if you will, the tenets of Secretary Carlucci, as well as our own Secretary Aldridge, and the Chief. If we are going to have to size down force structure from 37.5 fighter wings to 35 fighter wings, we want those fighter wings that are left to be robust and ready to go at a moment's notice. Focus was on the people portion of that equation, too, which is an important element, and also the kinds of efficient acquisition programs that Secretary Carlucci wants to have.

Our Chief says, that, in terms of airplanes, if he has to have a fighter force that is out there which he has to deploy in combat and those airplanes are not able to operate over a 20 or 30 day period in a self-sufficient manner, then all the munitions in the world that we buy for them are not going to solve the problem of prosecuting the war.

So, there were tough tradeoffs that we had to make, and they were not easy ones.

Senator DIXON. Did you achieve a balance in that?

General BRACKEN. To the best of our ability, given the funding drawdowns that we have had to achieve, I think there is balance within the submission that we requested in terms of munitions, spares, aircraft, procurement, and the operations and maintenance accounts, which spell readiness.

READINESS AND SUSTAINABILITY

Senator DIXON. Well, it spells readiness, but does it spell sustainability?

General BRACKEN. Not to the degree that we would like, sir. But those were tough choices that we had to make to get down to the fiscal level.

Senator DIXON. I might have my staff talk to you some more about the ammunition side of it.

What about you, General Greenberg?

General GREENBERG. Sir, I have to echo what General Bracken said.

These decisions to reduce $114 million out of our hardware account from the original submit were not made very lightly. They were done after a lot of agonizing, debate, and discussion. Again, what we were looking for was the best balance we could obtain with a reduction and still increase sustainability of our standard ammunition.

However, we attempted to provide for new ammunition coming into the system to the degree that we could. For example, when an M-1 tank hits Europe, it should have its requisite amount of ammunition and does not sit there being a very expensive truck.

If you were to ask me what my numbers ought to be, I would find that very difficult to provide, sir. I would only suggest that we provide you in our push-around list with what our needs are, as opposed to just pulling a number out of the air.

Senator DIXON. Okay, gentlemen.

Thank you very much.

I am going to talk to these other folks for a little while here and hear their testimony. If you will stick around, we will hear from you again for a few minutes after their presentations.

Thank you very, very much.

I wonder if Mr. Catani, Mr. Bernhardt and Mr. Mockenhaupt could all come up to the witness table and take their turns.

I thank you gentlemen.

Mr. Angelo Catani is chairman of the Committee of American Ammunition Manufacturers; Mr. Ken Bernhardt is the former president of the Ordnance Division of the General Defense Corp.; and Mr. Robert Mockenhaupt is the vice president of the Defense Systems Group of Honeywell.

Gentlemen, we welcome you to the subcommittee this morning.

Your full statements, should you decide to summarize them, of course, will be included in the record, and we will have some questions after you have given your oral testimony.

I wonder if each of you could try to honor brevity to the extent that you can in your remarks. We would like to keep you each under 10 minutes, if we can.

Mr. Catani, you are the first in line and you may begin. We are going to go from right to left today.

STATEMENT OF ANGELO CATANI, CHAIRMAN, COMMITTEE OF AMERICAN AMMUNITION MANUFACTURERS, ACCOMPANIED BY LAUREN R. HOWARD, ESQ., COLLIER, SHANNON, RILL & SCOTT, WASHINGTON, DC

Mr. Catani. Thank you, sir.

Mr. Chairman and members of the subcommittee, I appreciate the opportunity to appear today to comment on the Army ammunition budget request for fiscal year 1989 and the ammunition defense industrial base.

As the chairman of the Committee of American Ammunition Manufacturers, CAAM, I speak on behalf of the U.S. ammunition companies that comprise this ad hoc committee, whose purpose is to promote national defense and a viable defense industrial base.

I am also president of the Ordnance Division of Olin Corp., headquartered in East Alton, IL.

As you well know, ammunition is a vital component of our national security. Maintaining ammunition production facilities and ammunition stockpiles is essential to insuring our defense readiness capability.

Although a great deal of attention properly gets paid to nuclear weapons and strategic defense initiatives, the United States cannot afford to underestimate the critical role played by the frontline soldier.

Significantly, CAAM is not alone in its concerns about the eroding defense industrial base. High ranking officials, congressional committees, presidential commissions, and other experts in the field of defense have warned that unless new policy is formed to ensure a sound defense industrial base, the United States could find itself unable to respond adequately in the event of a military crisis.

The Ichord Report, issued in 1980, by the House Armed Services Committee, revealed that, "There has been a serious decline in the Nation's defense industrial capability that places our national security in jeopardy. An alarming erosion of crucial industrial elements, coupled with a mushrooming dependence on foreign sources for critical materials, is endangering our defense posture at its very foundation."

The Packard Commission, in its 1986 report to the President on Defense Management, recommended the establishment of a "comprehensive and effective national industrial responsiveness policy to support the whole spectrum of potential emergencies."

In his annual report to Congress for fiscal year 1988, former Defense Secretary Caspar Weinberger warned that continued erosion of the industrial base could, "rob the United States of technical expertise necessary for long-term economic survival and could alternately lead to a hollow defense if vigorous action is not taken now."

A December, 1986 report, issued by the Assistant Secretary for Acquisition and Logistics emphasized that, while the ammunition production base is currently, "adequate to meet peacetime requirements with some limited surge capabilities, additional capability is necessary to fully meet surge and mobilization requirements."

Echoing these sentiments in more practical terms, General Richard H. Thompson advised Members of Congress last summer: "The Yom Kippur War in the Mideast taught us that we could not quickly replace the materiel we provided to Israel. It also graphically showed how fast material can be consumed in intense conflict—the very type of conflict which represents the greatest danger to our national survival."

Ammunition manufacturing is a very complicated process, requiring sophisticated technology and highly skilled workers in order to meet exacting military specifications. In a crisis, our Nation could face severe consequences if some of our conventional ammunition industrial facilities had shut down their production lines and there was an inadequate domestic marketplace from which to stock our arsenal.

Because U.S. ammunition manufacturers cannot turn to commercial markets to ensure the orders needed to maintain production and earnings, such companies are dependent upon government policies, including defense requirements and budgets, for their survival.

We are, therefore, here today to urge you to maintain, and possibly increase through your leadership, the administration's budget request of $2 billion for ammunition for fiscal year 1989.

The requested amount is inadequate, and reflects a 13-percent reduction from last year's level. Thus, the ammunition budget, like other aspects of the defense budget, will suffer a decline in available revenues. Given the current budget deficit, we understand the necessity for a decrease in funding, although we are concerned about its implications for the ammunition defense industrial base.

Because of those concerns, we urge you not to reduce the ammunition budget further.

Finally, as the Senate moves closer to ratifying the INF Treaty, it becomes even more imperative to sustain funding for conventional weapons programs. However, approval of the administration's budget requests is merely the first step in assuring a strong ammunition production base.

While the base clearly needs funding, it also needs preservation. Two additional actions are required to accomplish that goal.

First, funding should only be made available to producers that are actually a part of the ammunition defense industrial base.

Given that these companies make extensive commitment of equipment and other resources in order to maintain the necessary readiness, they should not be required to compete with either U.S. producers that are not qualified as base sources or foreign firms that could prove unreliable in times of national emergency.

We therefore propose that legislation be enacted which restricts procurement of ammunition and components thereof to producers that are part of the ammunition defense industrial base, unless the Secretary of the appropriate military service believes that an exception is necessary. In that event, the execution of a justification and approval would supply the necessary authority to purchase ammunition and components from non-base producers.

Under this proposal, the United States would be assured of a sufficient industrial base to meet its wartime needs, while, at the same time, the Defense Department would have the requisite flexibility to make purchases from non-base producers if NATO or other considerations warrant such action.

With multiple sources comprising the base, there would still be adequate competition to ensure that the U.S. Government received low-priced, high-quality products to assist the national defense.

Second, while CAAM believes that competition is desirable, such competition should be sensibly and appropriately applied. Only then can the U.S. Government be assured that it will be obtaining reliable, high quality weapons at appropriate prices.

In fact, if the Defense Department actually analyzed the full cost of an acquisition, especially when the purchase of a low-priced, poor-quality product results in reprocurement of the same item, it would become clear that the lowest bid does not necessarily mean that the military ultimately paid the lowest price.

In addition, competent suppliers, who have lost business to unqualified, low-priced competitors, find it difficult to maintain their viability. If such companies are forced to close their operations, then competition will suffer as the number of competitors declines.

CAAM believes that price-only competition poses a significant threat to the acquisition process. CAAM recommends that other than price factors, such as contractor competency, product quality, continued availability of supply and technological progress, are required to be given appropriate weight in the bid evaluation process.

In closing, Mr. Chairman and members of the subcommittee, I urge you to maintain adequate funding levels for ammunition production and to preserve the ammunition defense industrial base.

Thank you, sir.

Senator DIXON. Thank you, Mr. Catani.

Mr. Bernhardt.

STATEMENT OF KEN BERNHARDT, FORMER PRESIDENT, ORDNANCE DIVISION, GENERAL DEFENSE CORP.

Mr. BERNHARDT. Good morning, Mr. Chairman and members of the committee.

We thank you for this opportunity to present to you the concerns of the ammunition industry.

Before I get into specifics, we would also like to offer you our thanks for your present efforts to solve the complex problem of how to reestablish the industrial base.

This industry is significantly different from other defense industries since we have no source in the commercial marketplace for our products. Presently, our future is very dependent on our Government's desire to maintain an ammunition base and to provide adequate funding for the supply of ammunition to our troops.

Over the past 10 years or more, it has been well studied, analyzed and documented that significant erosion to the industrial base has taken place, and, in our opinion, over the past 10 years, this erosion has been accelerated.

The impact of law and policy is no longer additive to the problem, but is now reaching proportions where their effect on this industry is having a squared, or possibly even a cubed, effect.

It is our opinion that abuses of the Competition in Contracting Act, coupled with the Army purposely allowing previous MOB base agreements to expire over the last 2 years, has created a procurement environment which is resulting in procurements totally for the sake of price and competition.

There appears to be no concern or measurement of this effect on the erosion to the base and the cost it will mean to this country in the event we must fight a war or even in the event that at some future time it is decided to stop and reverse this erosion.

We have no quarrel with the intent of CICA. We are concerned with the abuse of the act and the lack of adherence to Exception 16, which is contained within the act.

Awarding procurements on price only, coupled with other adverse factors, is causing companies to drop out of the base. Companies who were never committed to the ammunition base and whose future commitment is doubtful are now trying to produce ammunition supplies.

The effect of the abuse of CICA, when coupled with the lapse of these MOB base agreements, has increased the solicitations and entrance of many offshore companies into the supply of our ammunition. These companies reside in countries who receive subsidies under foreign aid from our Government and are companies who, in return, receive subsidies from their governments.

We have seen such awards to offshore companies impacting the mechanical and metal parts segment of the ammunition industry. Even worse, a significant portion of the base for electronic components is already offshore and, with few exceptions, restrictions do not exist.

Among other policies which have caused this erosion to accelerate is the Army's decision to have contractors totally self-facilitize for the manufacture of ammunition product without indemnifications.

This self-facilitization has resulted in companies having to make a decision to provide only enough equipment to satisfy peacetime requirements, and to utilize such equipment in their production processes for three shifts.

The industry used to be directed to provide enough equipment to manufacture peacetime requirements on a one-shift basis, therefore having the second and third shifts, as well as 6 day weeks, to address surge and MOB—under this condition: there will be no capacity for achieving either surge or MOB levels of production.

Along with this policy, only half of the cost of necessary tooling to manufacture components, assemble and test a product is allowed to be included in the unit prices offered, and another coupling and magnifying effect is the loss to industry of the investment tax credit.

Other policies having a negative impact include the new profit policies, which disallow profit on a company's G&A cost, and disallow profit on any cost incurred until a contact price is definitized, even though in some cases partial or even all of the production quantities have been delivered before definitization is achieved, with the result being that none of the costs incurred are profit-bearing, and essentially you end up with a time and materials contract.

We then must consider the recent policy change that reduces progress payments from 90 percent to 75 percent.

These four new policies cause companies to incur additional borrowings and pay interest on those borrowings—interest which is an unallowable cost in the pricing of product for ammunition purposes.

With CICA and the expiration of these previous MOB agreements, the policy on more effective utilization of the GOCOs seems to have directed the procurement agencies to workload the GOCOs with metal products, products that industry is interested in manufacturing, are competitive, and can produce with available equipment.

And, even though the new policy is requiring companies to self-facilitize, the Army does provide facilities funds for the GOCOs.

This condition, when coupled with the Arsenal Act, which provides the GOCO's with the ability to price on an out-of-pocket cost basis, one can readily determine how another unfair competitive position is created.

After the past 2-year period, during which MOB base agreements have been allowed to expire, the Army is now issuing within their contracts the requirement that ammunition producers sign a production planning schedule.

The costs to implement this production planning schedule must be totally borne by the contractors. This production planning schedule promises to limit awards to those who sign the agreement, and we wonder, will this happen if they continue to abuse section 16, that is contained within CICA.

It also attempts to have the contractors establish a mobilization base over a hierarchy of subcontractors. This is a program that the Army never achieved over the past 20 or more years.

If a company is to compete, it must use the lowest price subcontractor. During peacetime, requirements are such that one subcontractor can handle the manufacturing of a component for all of the companies producing a particular product. Therefore, we use the prices from those subcontractors and, instead of having a Christmas Tree hierarchy of subcontractors, we now end up with an inverted Christmas Tree of subcontractors, where multiple manufacturers of an ammunition item all rely on one subcontractor.

We are all aware of the published position that our Army has only a 2-month and possibly even less supply of ammunition to support a hostility the size of the Yom Kippur War. This event demanded significantly less ammunition than Vietnam, Korea, or World War II. And, we ask, what happens when the ammunition for our troops is not available?

All of these new policies and laws, when considered in total, are causing erosion to the ammunition base and are also causing us to lose trained people—people whose skills require anywhere from 1 to 4 years to be acquired.

We, therefore, certainly cannot have a trained cadre of skilled personnel in time to replace the short supply of ammunition.

It has been estimated that, even from a warm base, ammunition producers can only achieve higher levels of production within 6 to 9 months, and from a cold base, anywhere from 12 to 15 months. Raw material alone, in some cases, takes 16 weeks to acquire.

How, then, in the absence of sufficient numbers of companies in the base, an inadequate amount of equipment to produce the product, and the absence of skilled people, is the ammunition industry expected to backfill the supply of ammunition when it runs out?

What we really need is a national policy, one which covers all branches of our Government, including the executive and legislative branches, as well as the Departments of State, Treasury, Commerce and others, and must have an impact on trade agreements that are being negotiated.

We cannot have State Department setting foreign policy which forces offshore procurements, and we cannot have Treasury enacting tax legislation which have disincentives to the industry, and we certainly should not have our Trade bill such that we encourage the relocation of the base for ammunition to offshore companies.

It should also be mentioned that, when U.S. industry attempts to do business by selling ammunition with Government approval to foreign companies, more often than not, those foreign companies demand offset agreements. I term it "bribery."

In order to satisfy those offset agreements, if you want their business, industry subcontracts not only for the component parts for the ammunition item, but for other kinds of products to those countries, resulting in the loss of thousands of jobs for the U.S. workforce.

We understand that, in order to develop a national policy, there must be a national will. Our citizens must be more accurately informed as to the integrity of this ammunition industry.

Those situations which fostered the enactment of the Competition in Contracting Act on spare parts, such as hammers, coffee pots, and toilet seats, certainly does not apply to the ammunition industry. This industry makes no spare parts.

What it manufactures must be available on time, must work when fired, and must be cost effective.

Our citizens must be made aware that, in the absence of ammunition to support our troops—and this position has been widely publicized—any country capable of waging war against the United States, can determine this weakness and our inability to fight a prolonged war could encourage them to become venturesome.

And, even if the cases on spare parts are true, those costs are miniscule when we compare the costs if we have to reverse this erosion to the ammunition base, not only in dollars but in the cost of our freedom as a nation.

I would like to thank you for this opportunity to express these views, and would be most happy to answer any questions the committee may have.

Thank you.

[The prepared statement of Mr. Bernhardt follows:]

PREPARED STATEMENT OF KENNETH R. BERNHARDT, FORMER PRESIDENT ORDNANCE DIVISION, GENERAL DEFENSE CORP.

CONCERNS OF THE AMMUNITION BASE AND ITS INDUSTRIAL PREPAREDNESS

GOOD MORNING MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE. THANK YOU FOR THIS OPPORTUNITY TO MEET WITH YOU TO EXPRESS THE CONCERNS OF THE AMMUNITION SECTOR OF THE INDUSTRIAL BASE, AND TO PRESENT TO YOU SEVERAL CONDITIONS WHICH ARE CAUSING THIS BASE TO ERODE TO A LEVEL WHICH HAS CREATED SIGNIFICANT SUSTAINABILITY AND READINESS PROBLEMS FOR OUR ARMED FORCES.

THOSE INDUSTRIES WHICH SUPPLY THE AMMUNITION TO OUR ARMED FORCES ARE SIGNIFICANTLY DIFFERENT FROM OTHER INDUSTRIES WHICH SUPPLY THE OTHER PRODUCTS FOR OUR ARMED FORCES' OVERALL MISSION STRATEGIES. WE HAVE NO COMMERCIAL MARKET FOR OUR PRODUCT AND IT IS EXTREMELY DIFFICULT, IF NOT IMPOSSIBLE, TO CONVERT OUR DEVELOPMENT AND MANUFACTURING CAPABILITIES TO THE PRODUCTION OF A COMMERCIAL PRODUCT IN ORDER TO FILL IN THE MANY VOIDS THAT ARE BEING CREATED AS A RESULT OF THE CONDITIONS WHICH EXIST TODAY IN THE PROCUREMENT OF AMMUNITION.

IT CAN BE READILY SHOWN THAT WHENEVER THE DEFENSE BUDGETS ARE PREPARED, EVEN WHEN THE DEFENSE BUDGET DOLLARS WERE ON THE INCREASE, THE AMMUNITION ACCOUNT HAS CONTINUED TO BECOME LOWER EACH YEAR AND WHENEVER DRASTIC CUTS ARE REQUIRED, SUCH AS IS EXPECTED, THE AMMUNITION BUDGET SEEMS TO TAKE MORE THAN ITS SHARE OF REDUCTIONS IN ORDER TO FUND OTHER PROGRAMS. IN MY OPINION, THIS IS AN EXTREMELY DANGEROUS SITUATION, SINCE IT HAS BEEN STATED BEFORE THAT THE EXISTING SUPPLY OF AMMUNITION CAN ONLY SUPPORT OUR TROOPS FOR PERIODS OF FROM ONE TO TWO MONTHS IN THE EVENT HOSTILITIES COMMENCE. WITHOUT AMMUNITION, TANKS, SHIPS, AND AIRCRAFT ARE ONLY PEOPLE MOVERS, AND OUR TROOPS CANNOT FULFILL THEIR MISSION WITHOUT AN ADEQUATE SUPPLY OF AMMUNITION.

I WILL NOT BURDEN THE COMMITTEE BY GIVING YOU A LITANY OF ALL OF THE PAST REPORTS, STUDIES, AND ANALYSES, WHICH HAVE BEEN MADE AND PUBLISHED OVER THE PAST TEN OR MORE YEARS. ALL OF WHICH SPEAK TO THE DANGER OF A SHORT SUPPLY OF AMMUNITION BUT, MORE IMPORTANTLY, CONTINUE TO SPEAK TO A CONTINUING EROSION OF THIS COUNTRY'S INDUSTRIAL BASE, AN EROSION THAT HAS BEEN TAKING PLACE OVER THE LAST

TEN OR MORE YEARS.

I WILL ONLY STATE THAT ALL OF THESE REPORTS AND STUDIES SHOW THAT EROSION TO THE BASE IS GETTING WORSE AND, IN MY OPINION, THIS WORSENING HAS BECOME ACCELERATED DURING THE LAST TWO YEARS.

WHY?

I BELIEVE THE REASON FOR THIS ACCELERATION OF THE EROSION TO THE BASE HAS AS ITS PRIMARY CAUSE THE INSTITUTION OF THE COMPETITION IN CONTRACTING ACT (CICA). THIS ACT WAS INTENDED TO STOP THE HORROR STORIES THAT WERE WELL PUBLICIZED RELATIVE TO HAMMERS, COFFEE POTS, AND ASH TRAYS. THESE ABUSES, IF THERE WERE ANY, WERE MOST ALWAYS ASSOCIATED WITH SPARE PARTS FOR ONE TYPE OF VEHICLE OR ANOTHER, AND HAD NOTHING TO DO WITH THE SUPPLY OF AMMUNITION OR ANY FRAUD OR WASTE RELATED TO AMMUNITION PROCUREMENTS. AMMUNITION HAS NO SPARE PARTS, IT MUST BE PRODUCED ON TIME, IT MUST WORK WHEN FIRED, AND MUST BE COST EFFECTIVE. IN TOO MANY CASES, CICA HAS BEEN USED AS A VEHICLE TO ENTER INTO PROCUREMENTS WHICH WERE DEEMED TO BE MORE COMPETITIVE, WITHOUT CONSIDERATION OF THE MOB BASES WHICH HAD BEEN ESTABLISHED IN THE AMMUNITION SECTOR OF THE INDUSTRIAL BASE. IT MUST BE NOTED THAT THE ACT ALLOWED FOR PROCUREMENTS WITHIN THE BASE ON AN EXCEPTION BASIS, WHEN OFFERED PRICES WERE HIGHER, WHEN SUCH AWARDS WERE IN THE BEST INTEREST OF OUR COUNTRY TO KEEP THE BASE WARM SO THAT IT WAS IN READINESS IN THE EVENT MOBILIZATION WAS REQUIRED.

WHEN CICA IS COUPLED WITH THE FACT THAT FOR THE PAST TWO YEARS, THE ARMY HAS ALLOWED ALL PREVIOUS MOB BASE AGREEMENTS TO EXPIRE, GIVING FURTHER APPROVAL FOR THE AWARD OF CONTRACTS, WITHOUT CONSIDERATION FOR MAINTAINING A MOBILIZATION BASE, ONE CAN READILY SEE THAT IN TANDEM THE COMPETITION IN CONTRACTING ACT AND ALLOWING MOB BASE AGREEMENTS TO EXPIRE ARE THE PRIMARY CAUSE FOR THIS ACCELERATION TO THE EROSION OF THE BASE.

PROCUREMENTS MADE UNDER THESE CONDITIONS HAVE CREATED A SITUATION WHICH IS NOW REDUCING THE NUMBERS OF COMPANIES WILLING TO COMPETE FOR SUCH AMMUNITION CONTRACTS, COMPANIES WHICH FOR MANY YEARS HAVE MADE UP THE MOBILIZATION BASE FOR AMMUNITION. A LITTLE OVER A YEAR AGO, IN A PAPER I GAVE AT THE ORLANDO MEETING OF THE AMMUNITION COMMUNITY, I FORECASTED THAT CONTINUING ADHERENCE TO THESE TWO

CONDITIONS WILL CAUSE THE AMMUNITION BASE TO ERODE TO A POINT WHERE ENOUGH COMPANIES WILL DROP OUT OF THE BASE, RESULTING IN THE ARMY HAVING TO MAKE SOLE SOURCE AWARDS. I FORECASTED THAT THIS WOULD TAKE PLACE WITHIN FIVE YEARS. I WAS CONCERNED AS TO WHETHER OR NOT THAT WAS AN ACCURATE FORECAST; HOWEVER, A REVIEW OF THE PAST YEAR HAS CONVINCED ME THAT THIS IS HAPPENING.

THE ARMY WILL REPORT THAT THEY ARE PRESENTLY INVOLVED IN DEFINING AND ISSUING A CONTRACTUAL DOCUMENT TITLED, "PRODUCTION PLANNING SCHEDULE" IN ORDER TO REESTABLISH MOBILIZATION BASES. THIS HAS BEEN IN PROCESS FOR APPROXIMATELY ONE YEAR AND, IN FACT, WAS ABOUT TO BE ISSUED TO INDUSTRY THROUGH THE PROCUREMENT AGENCIES WHEN IT WAS DELAYED WHILE FURTHER REVIEWS TOOK PLACE.

THIS PROPOSED, CONTRACTUALLY BINDING AGREEMENT IS, AT BEST, ONE-SIDED, AND OFFERS COMPANIES A POSITION IN A BASE IN RETURN FOR FUTURE PROCUREMENTS BEING LIMITED TO THAT BASE. HOW MUCH COMFORT CAN WE HAVE, WHEN CICA WOULD STILL BE IN EFFECT, AND THE BLIND PURSUIT OF CICA, IN THE INTEREST OF COMPETITION, WILL STILL CAUSE PROCUREMENTS TO BE MADE OUTSIDE OF THE BASE, AND HOW FAIR IS IT WHEN INDUSTRY IS EXPECTED TO BEAR THE TOTAL COST OF ALL OF THE REQUIREMENTS OF THE PRODUCTION PLANNING SCHEDULE? IT APPEARS TO INDUSTRY, THAT THIS PRODUCTION PLANNING SCHEDULE IS ASKING INDUSTRY TO ACCOMPLISH WHAT THE ARMY COULD NOT ACCOMPLISH OVER THE PAST 20 YEARS, THAT BEING ONE OF ESTABLISHING A MOBILIZATION BASE ADEQUATE TO SUPPORT OUR ARMED FORCES IN THE EVENT OF THE COMMENCEMENT OF SIGNIFICANT HOSTILITIES. THIS CONTRACTUAL DOCUMENT REQUIRES CONTRACTORS TO ADEQUATELY MAINTAIN PRODUCTION FACILITIES FOR A PERIOD OF FIVE YEARS AFTER THE LAST PRODUCTION HAS BEEN MADE ON AN ITEM. IF SUCH EQUIPMENT IS BEING USED ON OTHER PROGRAMS, SUCH USE MUST BE IMMEDIATELY STOPPED WHETHER IT BE FOR THE ARMY OR FOR SOME COMMERCIAL CUSTOMER, WHENEVER THE ARMY DETERMINES THAT THEY MUST COMMENCE THE PRODUCTION OF ITEMS WHICH HAVE NOT BEEN MADE FOR AS LONG AS FIVE YEARS.

THE SCHEDULE ALSO REQUIRES THE COMPANIES TO ESTABLISH A MOBILIZATION CAPABILITY AMONG ALL OF THEIR SUBCONTRACTORS - SOMETHING THE ARMY COULD NEVER ACHIEVE. THE GOALS OF ESTABLISHING A SUBCONTRACTOR BASE IS TO CREATE A HIERARCHY OF SUBCONTRACTORS WHICH HAS A CHRISTMAS TREE SHAPE. THE FACT IS THAT THE LOW LEVELS OF PEACE TIME PROCUREMENTS HAVE CREATED A SITUATION WHERE MULTIPLE PRIME CONTRACTORS FOR THE SAME PRODUCT UTILIZE ONE SUBCONTRACTOR WHO CAN SUPPLY THE TOTAL

PEACE TIME REQUIREMENTS. THEY DO THIS IN ORDER TO BE AS COMPETITIVE AS POSSIBLE IN VIEW OF THE CONTINUING PURSUIT OF COMPETITION FOR COMPETITION SAKE UNDER THE COMPETITION IN CONTRACTING ACT.

INDUSTRY IS NOT TOTALLY ADVERSE TO A CONTRACTUAL AGREEMENT WITH THE ARMY FOR MOBILIZATION BASE PURPOSES; IN FACT, IN 1974, INDUSTRY PROPOSED THE OBSOLESCENCE OF THE DD1519 FORMS AS THE VEHICLE FOR DEFINING A MOBILIZATION BASE AND TO DESIGN AND ENTER INTO MORE FIRM CONTRACTUAL AGREEMENTS. INDUSTRY DID NOT EXPECT SUCH AN AGREEMENT TO BE SO ONE-SIDED.

WHAT DID THIS DOUBLE HIT OF CICA AND THE EXPIRATION OF PRIOR MOBILIZATION BASE AGREEMENTS CAUSE?

IT ALLOWED FOR THE ENTRY OF OFFSHORE COMPANIES INTO THE PROCUREMENT OF AMMUNITION SUPPLIES. THEIR ENTRY WAS MADE UNDER THE MOST UNFAIR COMPETITIVE BASIS. PROCUREMENTS OF AMMUNITION ITEMS ARE BEING AWARDED TO COMPANIES WHOSE GOVERNMENTS ARE SUBSIDISED BY U.S. FUNDS, AND WHO ARE SUBSIDIZED BY THEIR GOVERNMENTS. THEIR COST FOR THE MANUFACTURE OF THESE ITEMS ARE NOT BURDENED BY THE SAME SOCIAL COST AS THOSE IMPOSED UPON U.S. COMPANIES. WHEN WE IN RETURN TRY TO SELL TO THEM, THEY DEMAND OFFSETS, WHICH I TERM A FORM OF BRIBERY. WHEN WE TRY TO SATISFY SUCH OFFSETS BY AWARDING CONTRACTS TO FOREIGN COMPANIES FOR EITHER A COMPONENT OF THE AMMUNITION ITEM OR FOR OTHER KINDS OF PRODUCTS, WE GIVE THEM ORDERS WHICH COULD BE GIVEN TO U.S. COMPANIES. WE HAVE LOST THOUSANDS OF JOBS SATISFYING THOSE OFFSET AGREEMENTS.

I AM AWARE THAT THE CONGRESS WAS ESPECIALLY CONCERNED ABOUT THE GROWING SIZE OF THE NUMBER OF DOLLARS BEING AWARDED TO FOREIGN COMPANIES FOR AMMUNITION PROCUREMENTS. THEY DIRECTED THE ARMY TO SUBMIT A REPORT TO THE CONGRESS ON THE VALUE OF SUCH OFFSHORE PROCUREMENTS COMPARED TO OTHER YEARS, IN ORDER TO DETERMINE WHETHER OR NOT THIS WAS REALLY GROWING IN SIZE. THE ARMY REPORT SHOWED A RATHER SMALL AMOUNT OF DOLLARS BEING AWARDED TO OFFSHORE COMPANIES, AND SMALL IS A RELATIVE TERM COMPARED TO THE SIZE OF THE AMMUNITION BUDGET. I DO NOT QUARREL WITH THAT REPORT; I ONLY STATE THAT IT IS AN INCOMPLETE REPORT. IF THE ARMY HAD BEEN REQUESTED TO ALSO REPORT ON THE VALUE OF SUBCONTRACTS ISSUED BY THE PRIME CONTRACTORS TO OFFSHORE COMPANIES, I BELIEVE THE RESULTANT REPORT WOULD HAVE SHOWN A DOLLAR LEVEL WHICH WOULD HAVE GIVEN GREAT CONCERN NOT ONLY TO THIS

COMMITTEE, BUT ALSO TO THE CITIZENS OF OUR COUNTRY.

A RECENT STATEMENT BY AN AIR FORCE GENERAL REPORTED THAT OVER 55% OF ALL COMPONENTS NEEDED FOR THE AVIONICS OF AIRCRAFT ARE BEING ACQUIRED FROM OFFSHORE SOURCES. THERE ARE NO RESTRICTIONS IN GOVERNMENT CONTRACTS LIMITING THE PURCHASE OF SUCH ELECTRONIC COMPONENTS TO DOMESTIC INDUSTRY. I FIND THIS QUITE MYSTIFYING WHEN, EVEN TODAY, THE MANUFACTURERS OF MECHANICAL DEVICES, SUCH AS FUZES AND SAFETY AND ARMING DEVICES, CONTAIN WITHIN THEIR CONTRACTS RESTRICTIONS ON THE PURCHASE OF GEARS AND PINIONS AND VARIOUS PRECISION PARTS TO DOMESTIC SOURCES. WHY IS IT THAT THE ARMY IS CONCERNED ABOUT LOSING DOMESTIC CAPABILITY FOR THE MANUFACTURE OF THESE KINDS OF COMPONENTS, AND THEY DO NOT SEEM TO BE CONCERNED AS TO WHERE THE SUPPLY OR THE BASE FOR ELECTRONIC COMPONENTS RESIDES. HOW AVAILABLE WILL THESE SOURCES OF SUPPLY BE IN THE EVENT OF A WAR?

AS I HAVE STATED, IT IS MY BELIEF THAT THE PRIMARY CAUSE FOR THE ACCELERATED EROSION OF THE MOBILIZATION BASE OVER THE PAST TWO YEARS HAS BEEN THE COUPLING OF THE COMPETITION IN CONTRACTING ACT WITH THE ARMY'S DECISION TO ALLOW PREVIOUS MOB BASE AGREEMENTS TO EXPIRE. HOWEVER, THERE ARE SECONDARY CAUSES FOR SUCH EROSION, AND I WOULD LIKE TO PRESENT JUST A FEW.

WITHIN THE PAST YEAR, THE ARMY HAS INSTITUTED A POLICY TITLED "SELF FACILITIZATION." SELF, IN THIS CASE, BEING THE CONTRACTORS WHO ARE NOW REQUIRED TO TOTALLY FACILITIZE THEMSELVES FOR THE MANUFACTURE, ASSEMBLY, AND TEST OF THE PRODUCT EVEN THOUGH SUCH FACILITIZATION IS EXTREMELY SPECIALIZED IN NATURE. THERE ARE NO INDEMNIFICATION PROCEDURES OR POLICIES IN EXISTENCE TO COVER A CONTRACTOR WHO WOULD SELF-FACILITIZE IN THE EVENT THE PROGRAM IS DELAYED; THE QUANTITIES TO BE PRODUCED OVER TIME ARE SIGNIFICANTLY LOWERED THEREBY ELIMINATING THE CONTRACTOR'S ABILITY TO RECOVER HIS RETURN ON INVESTMENT, OR IF THE PROGRAM IS TOTALLY CANCELLED.

ONE EXAMPLE I CAN GIVE YOU OF THIS PROBLEM RELATES TO THE ARMY'S FAMILY OF SCATTERABLE MINE PROGRAMS (FASCAM). IN 1984, A COMMERCE BUSINESS DAILY ANNOUNCEMENT, AS WELL AS THE FOLLOWING REQUESTS FOR PROPOSALS, THE ARMY ANNOUNCED ITS INTENTION TO ESTABLISH A MOBILIZATION BASE FOR THE PRODUCTION OF THE ELECTRONIC LENS ASSEMBLIES FOR A VARIETY OF MINES IN THE FASCAM FAMILY. APPROXIMATELY TWO

TO THREE YEARS LATER, THE PRODUCTION QUANTITIES FOR THESE LENS ASSEMBLIES WERE REDUCED BY 55% FROM THOSE SET FORTH IN THEIR PRODUCTION FORECAST IN 1984.

THE PRODUCTION LEVELS STATED IN 1984 WERE MORE THAN ADEQUATE TO SUPPORT A MOBILIZATION BASE CONSISTING OF FROM FOUR TO SIX COMPANIES. THE PRODUCTION QUANTITIES NOW FORECASTED CAN SUPPORT NO MORE THAN TWO OF THESE COMPANIES AND POSSIBLY ARE ONLY SUFFICIENT TO SUPPORT ONE COMPANY. OUR COMPANY INVESTED APPROXIMATELY $6,000,000 TO BECOME PART OF THIS MOBILIZATION BASE. IT IS NOW IMPOSSIBLE TO ACHIEVE THE RETURN ON THAT INVESTMENT WITH THIS DRASTIC REDUCTION. ALREADY, TWO OF THE COMPANIES THAT WERE IN THE BASE IN 1984 HAVE DROPPED OUT OF THE BASE, AS A RESULT OF THIS PROBLEM. THEY NO LONGER WILL PARTICIPATE IN A PROGRAM WHICH REQUIRES PRICING WITHOUT PROFIT IN ORDER TO STAY IN THE BASE.

WHAT ELSE WILL SELF-FACILITIZATION CAUSE CONTRACTORS TO DO? IN PAST YEARS, THE ARMY EXPECTED COMPANIES, WHEN THEY FACILITIZED EITHER WITH THEIR OWN FUNDS OR IN PAST YEARS' GOVERNMENT FUNDS, TO PROVIDE A LEVEL OF EQUIPMENT CAPABLE OF PRODUCING THE PEACE TIME REQUIREMENTS ON A ONE-SHIFT BASIS. THIS PROVIDED THE SECOND AND THIRD SHIFT FOR THE INCREASE IN PRODUCTION THAT MAY BE REQUIRED TO SATISFY EITHER SURGE OR MOBILIZATION REQUIREMENTS. BECAUSE OF THE COMPETITIVE PRESSURES AND IN THE ABSENCE OF ANY INDEMNIFICATION POLICY THEY WILL NOT BUY THREE MACHINES TO PERFORM AN OPERATION AND RUN IT ON ONE SHIFT. THEY WILL BUY ONE MACHINE AND RUN IT ON THREE SHIFTS, RESULTING IN NO ADDITIONAL CAPACITY TO SATISFY EITHER SURGE OR MOB.

COUPLE THIS WITH THE LOSS OF THE INVESTMENT TAX CREDIT AND, AGAIN, THE INDUSTRY IS HIT WITH A DOUBLE WHAMMY.

ANOTHER NEW POLICY WHICH HAS BEEN INSTITUTED IS THE POLICY ON PROFITS TO BE EARNED BY DEFENSE CONTRACTORS. THIS NEW POLICY DISALLOWS PROFIT ON G&A COSTS WITHOUT DEFINING WHAT THE G&A POOL SHOULD CONSIST OF. DIFFERENT COMPANIES PLACE COST ELEMENTS WITHIN G&A, WHILE OTHERS PLACE THE SAME COST ELEMENTS IN OVERHEAD. WITHOUT A STANDARD DEFINITION OF THE ALLOWABLE COST WITHIN THE G&A POOL, UNFAIR COMPETITIVE POSITIONS WILL BE ESTABLISHED. IN RESPONSE, A GREAT MANY COMPANIES ARE SIMPLY CHANGING THEIR ACCOUNTING POLICIES AND PROCEDURES AND MOVING AS MUCH OUT OF THE G&A POOL AS THEY CAN INTO THEIR OVERHEAD ACCOUNTS. WHAT HAS THIS

ACCOMPLISHED?

THIS NEW PROFIT POLICY ALSO DISALLOWS A PROFIT ON COST INCURRED ON CONTRACTS ISSUED UNDER A "TO BE DEFINITIZED" BASIS UNTIL THE CONTRACT IS DEFINITIZED. IT IS OUR EXPERIENCE THAT CONTRACTS OF THIS TYPE HAVE HAD PARTIAL PRODUCTION DELIVERIES AND, IN SOME CASES, THE TOTAL CONTRACT HAS BEEN DELIVERED BEFORE THE GOVERNMENT HAS FINALLY DEFINITIZED THE CONTRACT. CAN ANYONE REALISTICALLY EXPECT, UNDER THESE CONDITIONS, A CONTRACTOR TO PERFORM HIS TOTAL CONTRACT WITHOUT ANY PROFIT AT ALL?

COUPLED WITH THIS NEW PROFIT POLICY, INTENDED TO REDUCE THE CONTRACTOR'S PROFITS, THE PROGRESS PAYMENTS HAVE BEEN REDUCED FROM 90% TO 75%. THIS CAUSES COMPANIES TO GO INTO ADDITIONAL BORROWINGS, INCURRING ADDITIONAL INTEREST - INTEREST WHICH IS UNALLOWABLE FOR COST RECOVERY.

ANOTHER SECONDARY IMPACT ON PRIVATE INDUSTRY IS THE ARMY'S DESIRE TO INCREASE THEIR WORKLOADING OF THEIR GOVERNMENT-OWNED CONTRACTOR OPERATED PLANTS. THE ORIGINAL INTENT OF ESTABLISHING GOCO'S WAS FOR THE PURPOSE OF PROVIDING A MANUFACTURING CAPABILITY IN THE AREAS OF THE MANUFACTURING OF EXPLOSIVES, AND THE EXPLOSIVE LOADING OF AMMUNITION ITEMS, SINCE THERE WERE NO COMMERCIAL SOURCES AVAILABLE FOR SUCH ACTIVITIES. IT WAS NOT THE INTENT TO PUT INTO SUCH GOCO'S THE MANUFACTURE OF METAL PARTS FOR WHICH INDUSTRY HAS AN EXPRESSED INTEREST AND FOR WHICH INDUSTRY IS CAPABLE OF MANUFACTURING. WHEN YOU COUPLE THIS EFFORT TO INCREASE THE WORKLOADING OF GOCO'S WITH THE COST PARAMETERS OF THE ARSENAL ACT, WHICH ALLOW GOCO'S TO PRICE THEIR PRODUCT ON AN OUT-OF-POCKET PRICING BASIS, ONE CAN READILY DETERMINE THAT A SITUATION OF UNFAIR COMPETITION IS BEING CREATED. IN ADDITION TO THIS UNFAIR COMPETITION POSITION IS THE GOVERNMENT'S WILLINGNESS TO FACILITIZE GOCO'S AT GOVERNMENT EXPENSE EVEN THOUGH THEY EXPECT INDUSTRY TO SELF-FACILITIZE USING THEIR OWN CORPORATE FUNDS.

I'M SURE THE ARMY HAS ISSUED REPORTS WHICH TELL THE CONGRESS HOW MUCH THEY HAVE SAVED BY RELIGIOUSLY AND BLINDLY PURSUING THE REQUIREMENTS UNDER CICA. HOW REAL ARE THOSE SAVINGS? DO THEY ALSO INCLUDE THE COST REDUCTIONS THAT HAVE BEEN PROVIDED BY INDUSTRY UNDER THE VALUE ENGINEERING CHANGE PROGRAM? OUR RELATIVELY SMALL COMPANY, HAVING A VIGOROUS VALUE ENGINEERING CHANGE PROPOSAL PROGRAM, HAS

INSTITUTED CHANGES INTO ONE FUZE PRODUCT ALONE, WHICH WILL SAVE THE ARMY IN EXCESS OF $80,000,000 IN THE PROCUREMENT OF THAT FUZE, OVER TIME. ARE SUCH REPORTED SAVINGS MINISCULE, COMPARED TO THE COSTS REQUIRED TO OVERCOME THE EROSION OF AN ADEQUATE MOBILIZATION BASE?

FOR MANY YEARS THE ARMY ATTEMPTED TO ESTABLISH MOBILIZATION BASES FOR ALL OF THEIR AMMUNITION ITEMS. WITHOUT THE ADEQUATE FUNDING, THEY COULD NOT ACHIEVE THE GOALS THAT WERE SET. WE THEN SAW A NEW PROGRAM CALLED SURGE. I HAVE ALREADY EXPLAINED HOW SURGE WILL NOT BE MET AS COMPANIES ARE FORCED TO SELF-FACILITIZE. I SHOULD ALSO REPORT THAT WHENEVER A COMPANY SUBMITS ITS SURGE PLAN FOR THE PRODUCTION OF AN AMMUNITION ITEM IT ALSO SUBMITS A LISTING OF THOSE ITEMS OF EQUIPMENT WHICH CREATE A BOTTLENECK AND PROHIBIT REACHING THE EXPECTED SURGE LEVELS. I BELIEVE AN INVESTIGATION WOULD SHOW THAT FEW, IF ANY DOLLARS, HAVE EVER BEEN PROVIDED FOR THE ACQUISITION OF EQUIPMENT WHICH HAS BEEN DETERMINED TO BE A BOTTLENECK AND WHICH IF NOT ACQUIRED WOULD PROHIBIT ANY COMPANY FROM REACHING ITS SURGE REQUIREMENTS. AGAIN, I THINK WE HAVE A HOLLOW SHELL AND THE CONTINUED PRESENTATIONS OF THE ADEQUACY OF SURGE CAPABILITIES IS MISLEADING.

PREVIOUSLY, I MENTIONED THAT MOST EVERYONE AGREES THAT THE AVERAGE SUPPLY OF AMMUNITION IS ONLY SUFFICIENT TO SUSTAIN OUR TROOPS FOR A MAXIMUM OF TWO MONTHS, WITH THE USAGE BEING MEASURED AS TO THAT WHICH WAS EXPENDED DURING THE YOM KIPPUR WAR. THAT CERTAINLY WAS NOT AN EVENT EQUIVALENT TO EITHER VIETNAM, WORLD WAR II, OR KOREA. WHERE IS THE AMMUNITION TO COME FROM AT THE END OF THOSE TWO MONTHS? WE MUST ACKNOWLEDGE THAT EVEN WITH A WARM BASE OF A SUFFICIENT NUMBER OF COMPANIES, IT WILL TAKE SIX MONTHS FOR THOSE COMPANIES STILL IN THE BASE TO ACHIEVE MOBILIZATION LEVELS, AND FROM A COLD BASE IT WILL TAKE FROM NINE TO TWELVE MONTHS TO ACHIEVE AN ADEQUATE LEVEL OF PRODUCTION. LEAD TIMES FOR THE BASIC RAW MATERIAL FOR THE MANUFACTURE OF PARTS IS AS LONG AS SIXTEEN WEEKS IN SOME CASES.

EVEN MORE IMPORTANT THAN EQUIPMENT AVAILABILITY, WHETHER OR NOT WE WORK FROM A WARM OR A COLD BASE, IS THE ABSENCE OF A SUFFICIENT NUMBER OF TRAINED PEOPLE WHO WILL BE LOST TO OUR COMPANIES AS THIS EROSION TO THE BASE CONTINUES. WE ALL KNOW THAT THE SERVICE PORTION OF OUR ECONOMY IS GROWING; HOWEVER, PEOPLE WHO ARE INVOLVED IN SUCH SERVICE-ORIENTED ACTIVITIES ARE NOT THE KIND OF TRAINED PEOPLE

WE NEED TO PRODUCE AMMUNITION. THERE HAVE BEEN MANY REPORTS WHICH HAVE STATED THAT THE AVAILABLE SUPPLY OF TOOL AND DIEMAKERS CAN ONLY SUPPORT 25% OF ALL OF INDUSTRY'S NEEDS, WHETHER IT BE IN THE COMMERCIAL MARKET OR IN THE MANUFACTURE OF DEFENSE MATERIALS.

WE MUST DEVELOP A NATIONAL POLICY IN A CLIMATE OF PARTNERSHIP BETWEEN GOVERNMENT INDUSTRY, NOT A CLIMATE OF ADVERSITY, WITH SUCH POLICY BRINGING INTO FOCUS ALL BRANCHES OF THE GOVERNMENT, AS THEIR DECISIONS WOULD IMPACT ON OUR INDUSTRIAL PREPAREDNESS. THE EXECUTIVE AND LEGISLATIVE BRANCHES OF OUR GOVERNMENT ALONG WITH THE DEPARTMENTS OF STATE, COMMERCE, TREASURY, TRADE, AND THE OFFICE OF MANAGEMENT AND BUDGET, AS WELL AS OTHERS, MUST BE INVOLVED AND MUST COMPLY WITH SUCH A NATIONAL POLICY IF ONE IS EVER ESTABLISHED. STATE CANNOT CONTINUE TO PROMOTE OFFSHORE PROCUREMENTS IN THE INTEREST OF FOREIGN POLICY; COMMERCE CANNOT CONTINUE TO ISSUE LEGISLATION WHICH IS RESTRICTIVE TO INDUSTRY; THE TREASURY DEPARTMENT SHOULD NOT ISSUE TAX LAWS WHICH ARE DISINCENTIVES TO INDUSTRY; AND CERTAINLY OUR TRADE POLICIES MUST NOT BE SUCH THAT OUR MOBILIZATION BASE BECOMES ESTABLISHED OFFSHORE AND NOT HAVE IT EXIST DOMESTICALLY.

I UNDERSTAND THAT IN ORDER TO DEVELOP SUCH A NATIONAL POLICY, WHICH WOULD PROVIDE GUIDANCE TO ALL OF OUR GOVERNMENT AGENCIES AND DEPARTMENTS, THERE MUST BE A NATIONAL WILL TO HAVE SUCH A POLICY ESTABLISHED. CERTAINLY, WE CAN ALL AGREE THAT THERE ARE MANY SEGMENTS OF OUR POPULATION THAT ARE AGAINST EXPENDITURES FOR DEFENSE, MOSTLY BASED ON THE PUBLICIZING OF THE FEW CASES ON SPARE PARTS. SOMEHOW WE MUST OFFSET THESE MISUNDERSTANDINGS BY THE POPULACE AND HAVE THEM RECOGNIZE THAT A COUNTRY THAT IS WEAK IS A COUNTRY THAT WILL LOSE ANY CONFLICT STARTED BY ANY COUNTRY WHO DETERMINES THE EXTENT OF THAT WEAKNESS. WE ALL KNOW THAT THE COSTS OF THE FEW CASES ON SPARE PARTS IS MINISCULE WHEN COMPARED TO THE COST WE WILL HAVE TO BEAR IF THE BASE CONTINUES TO ERODE AND THERE IS A NEED FOR MOBILIZATION LEVELS OF PRODUCTION. THE COST IS OUR FREEDOM AS A NATION.

THANK YOU FOR THIS OPPORTUNITY TO EXPRESS MY VIEWS; I WOULD BE MOST HAPPY TO ANSWER ANY QUESTIONS THE COMMITTEE MAY HAVE.

Senator Dixon. Thank you, Mr. Bernhardt.
Mr. Mockenhaupt.

STATEMENT OF ROBERT R. MOCKENHAUPT, VICE PRESIDENT AND GROUP EXECUTIVE, DEFENSE SYSTEMS GROUP, HONEYWELL INC.

Mr. Mockenhaupt. Mr. Chairman and members of the subcommittee, I very much appreciate the opportunity to appear before you today and to express my concerns for the condition of the U.S. industrial base and its ability to sustain our combat forces with equipment and ammunition in the event of a military conflict.

I am particularly pleased that this committee is addressing this very difficult issue and is concerned with the condition of the U.S. industrial base, particularly our defense industrial base.

My statement before you is intended to address these same concerns from an industrial viewpoint.

With regard to my personal credentials, I have been a member of the defense industrial community for the past 33 years in a variety of assignments with Honeywell Inc., and I am presently the vice president and group executive of the Defense Systems Group.

We are headquarted in Minneapolis, with facilities in Joliet, IL and Horsham, PA. Our company is a full-spectrum supplier to the Department of Defense, providing research, development, test and production of a wide variety of conventional, non-nuclear munitions.

Our product activities include medium and large caliber ammunition, infantry anti-armor weapons, scatterable mines, aircraft delivered cluster weapon systems, and precision guided munitions designed for various delivery vehicles.

I am a member of the American Defense Preparedness Association, the Air Force Association, the National Security Industrial Association, and also serve as chairman of the Industrial Committee of Ammunition Producers.

My military service was spent in the U.S. Navy, where I served as a naval officer in the Bureau of Ordnance responsible for some aspects of industrial mobilization planning.

Because my background is almost exclusively in the ammunition sector of the defense industrial base, my statement this morning reflects my views of what is needed to improve that portion of the base.

Over the past 30 years, I have observed, and I'm sure many of you have also, the steady erosion of the defense industrial capabilities of our country. Our condition today is a serious deterioration in our ammunition technology base and a production base in our defense industry that, in most combat scenarios, could not sustain our combat forces in the event of a serious military conflict.

There are four essential qualities which our industrial base should possess to be effective in the event of a national emergency.

First, our defense industry must be available to provide the hardware and services for our military. This means that the plant, equipment, human resources, materials, and assemblies must either be in place or essentially in place to provide very rapid production increases in the event of a military conflict.

The second quality of an adequate industrial base is that it must be absolutely dependable. Actions must be taken by both the Government and industry to attract companies to the defense industrial base, companies that have a strong commitment to continue as part of that supply capability.

We are seeing companies leaving the ammunition base today because competition in contracting law, profit policy, and program instabilities no longer make this business financially attractive. I would urge you to examine this dimension of the problem as well.

Third, an effective industrial base must be responsive to the equipment needs of the military in times of conflict, particularly the quantitative needs in terms of capacity and delivery schedules that assure equipments will be produced on a time base compatible with the needs of our military forces.

Finally, an effective industrial base must be viewed by a hostile nation as a credible deterrent, a source of supply which can perform as advertised and assure a continuous flow of needed equipment to our combat forces.

These qualities are not fully available in the defense industry today.

Over the past 30 years, numerous attempts have been made to create and maintain a strong industrial base, in the context of mobilization planning, industrial preparedness planning, surge requirements, and a variety of other regulatory initiatives to assure a capable industrial readiness.

There are a number of common threads woven through the fabric of all of these planning efforts that suggest why industrial readiness planning has been less than fully effective. I believe that such planning has suffered because industrial readiness planning has attempted to cover the entire spectrum of military equipments potentially needed in the event of combat, irrespective of the condition of the production base, and, second, lead times necessary to get serial production back to rated capacity and administrative, material, and manufacturing lead times for many of these equipments that frequently exceed the length of the probable combat scenario.

In short, we reach production rate only after the war is over.

I would submit to this committee some recommendations for your consideration, which I believe would contribute materially to industrial readiness.

I believe that the single most significant deterrent to effective industrial planning is to solve the lead times required to create or expand volume production. A very straight-forward solution to this issue is simply that all equipment planned for industrial expansion in the event of military conflict should retain an on-going production base of supply, what we in industry call a "warm base."

To assure that the base is both available and dependable, it should exist completely in the United States and Canada to minimize any disruptions of supply in the event of war.

Another virtue of maintaining a warm production base is the assurance of an existing and producing subcontractor network, which is frequently the longest source of leadtime delay in the production rejuvenation of any defense product.

Since most of the combat scenarios that I am familiar with represent short duration timeframes and seldom exceed 6 months in duration, the prospect of planning production increases for the entire spectrum of potentially needed military equipments, particularly those with leadtimes significantly exceeding the duration of combat, appear to me to be unnecessary.

I believe that a much more effective industrial readiness planning posture would result from the creation of a balance between the authorized acquisition objective, the stockpile, and the leadtime from a warm production base to full capacity.

In short, if we've accumulated, from current production, a stockpile of military equipment equivalent to 6 months of wartime consumption, effective industrial planning must assure that significant production quantities are available before the sixth month of combat. That is the only way we can be assured of a continuous flow of combat equipment to our Armed Forces.

I also believe that the creation of an industrial base of supply should occur during the latter phases of engineering development, with the developing contractor established as the initial production source of supply during low rate production. Additional contractors should be brought into the base only to the degree that current production requirements can be satisfied on a single shift 8-hour, 5-day week.

Current production of items necessary for industrial readiness planning, in all cases, should be operated on a single shift basis, with the second and third shifts and the sixth and seventh days of the week reserved for surge capacity to achieve almost immediate increases in production, as needed by our military forces.

The dependability of an industrial base of supply is a function, not only of its location in the United States and Canada, but also of who has ownership of the production equipment which represents the base of supply. As a practical matter, the only way in which the Government can be absolutely assured of the availability of an industrial base is to contract for, and own, the production equipment which represents that base.

I recognize the desire of the Congress to reduce funding outlays for production equipment. To attract industrial facilitization, industry must be assured of capital protection and indemnification for such equipment investments in the event that program instabilities either delete or reduce future production requirements.

An excellent contracting vehicle which has the benefits to our Government of both lower cost production and industrial attraction for facilitization is multiyear contracting.

The form of multiyear contracting which I would strongly encourage is not the incrementally authorized options on an annual basis but, rather, government commitment for the entire multiyear period at the time of contract award to maximize the benefit of higher quantity procurements from subcontractors and an immediately available product quantity of sufficient size to provide a reasonable indemnification schedule.

I fully recognize that this form of multiyear contracting may require additional legislation by the Congress. But I do believe that the benefits of this form of multiyear contracting would provide an enormous stabilizing influence to the defense industrial base.

Mr. Chairman, I further recognize that my recommendation to maintain a warm base of supply during peacetime periods, even at very low and uneconomical rates of production, would require additional funding for current production. I would submit to you that these costs are far less expensive than either the costs associated with putting equipment items which are currently in an inoperative or cold base back into production, or the costs associated with having critically needed defense equipments not available to our combat forces when engaged in actual, active wartime combat.

The defense industrial ammunition base is certainly very important to the assurance of production during times of national emergency. In peacetime, it also represents a significant economic impact in most of the States of the union and for both large and small companies.

The Industrial Committee of Ammunition Producers recently commissioned a study examining ammunition procurements in the fiscal year 1986, and I should like to enter that report into the record for your information and consideration.

Senator DIXON. That will be put into the record, Mr. Mockenhaupt.

Mr. MOCKENHAUPT. Thank you, sir.

[The report referred to follows:]

ICAP AMMUNITION CONTRACTOR SURVEY
OBJECTIVE

DETERMINE THE ECONOMIC IMPACT OF AMMUNITION BUDGET EXPENDITURES IN THE VARIOUS STATES

ICAP AMMUNITION CONTRACTOR SURVEY
GROUND RULES

- DEFINITION OF AMMUNITION
  - AMMUNITION
  - MINES
  - PRECISION WEAPONS
  - CLUSTER WEAPONS
  - NOT FIRE CONTROL, COMBAT VEHICLE ELECTRONICS
- CONTRACTING AGENCIES:
  - AMCCOM, ROCK ISLAND
  - ARDEC, DOVER
- CONTRACTS AWARDED IN FY86 ONLY
- INDIVIDUAL CONTRACT VALUE OF OVER $2M

ICAP AMMUNITION CONTRACTOR SURVEY
SCOPE

- 34 PRIME CONTRACTORS WERE SOLICITED
- 26 PRIME CONTRACTORS RESPONDED; 4 DECLINED TO PARTICIPATE; 4 GAVE NO RESPONSE
- 82 CONTRACTS WERE INCLUDED, 11 OF WHICH WERE GOCO's
- PRIMES WHICH RESPONDED WERE LOCATED IN 20 STATES, WITH SUBCONTRACTORS LOCATED IN 26 ADDITIONAL STATES
- TOTAL CONTRACT VALUE OF RESPONSES WAS $ 2,098,503,511

ICAP SURVEY
PRIME CONTRACTOR FY86 DOLLARS

STATE	IN-HOUSE DOLLARS
Alaska	$ 0
Alabama	11,882,674 *
Arkansas	0
Arizona	46,512,490
California	11,125,121
Colorado	0
Connecticut	0
Delaware	0
Florida	61,506,786 **
Georgia	4,450,000
Iowa	30,603,083
Idaho	0
Illinois	11,644,402
Indiana	70,293,880
Kansas	26,452,156
Kentucky	0
Louisiana	0
Massachusettes	58,877,956
Maryland	0
Maine	0
Michigan	0
Minnesota	184,945,581
Mississippi	20,428,784
Missouri	197,144,273
North Carolina	0
North Dakota	0
Nebraska	0
Nevada	0
New Hampshire	0
New Jersey	8,268,954
New Mexico	0
New York	34,302,000
Ohio	8,511,897
Oklahoma	0
Oregon	0
Pennsylvania	115,881,056
Rhode Island	0
South Carolina	0
South Dakota	0
Tennessee	129,795,268
Texas	0
Utah	0
Vermont	0
Virginia	172,138,764
Washington D.C.	0
Wisconsin	8,610,129
Wyoming	0
State Not Defined	17,448,950
Total	$ 1,230,824,204

*** Dollars to a "Small Business" Prime**

**** Including $13,238,589 to a "Small Business" Prime**

ICAP SURVEY
SUBCONTRACTOR FY86 DOLLARS

STATE	DOLLARS TO SMALL BUSINESS	DOLLARS TO DISADVANTAGED BUSINESS	DOLLARS TO REGULAR BUSINESS	TOTAL DOLLARS
Alaska	$ 0	$ 0	$ 54,030	$ 54,030
Alabama	9,800,795	0	420,005	10,220,800
Arkansas	1,384,739	0	850,968	2,235,707
Arizona	187,099	0	0	187,099
California	22,840,744	1,122	2,728,061	25,569,927
Colorado	4,285	0	5,063,477	5,067,762
Connecticut	4,502,050	15	7,324,172	11,826,237
Delaware	16,283	0	36,509,934	36,526,217
Florida	13,947,798	646,015	5,849,916	20,443,729
Georgia	1,273,554	0	2,835,617	4,109,171
Iowa	17,432,734	0	0	17,432,734
Idaho	11,441	0	0	11,441
Illinois	28,349,533	3,297	3,778,269	32,131,099
Indiana	524,977	197,622	29,929,732	30,652,331
Kansas	179,003	467	2,597,990	2,777,460
Kentucky	4,330,274	0	0	4,330,274
Louisiana	18,884	0	0	18,884
Massachusettes	21,379,396	1,098	2,844,460	24,224,954
Maryland	574,590	0	0	574,590
Maine	10,655	0	676,628	687,283
Michigan	5,275,529	0	4,633,257	9,908,786
Minnesota	19,104,814	409,355	12,487,833	32,002,002
Mississippi	5,103,724	0	158,400	5,262,124
Missouri	1,146,799	0	10,688,788	11,835,587
North Carolina	63,282	140	198,862	262,284
North Dakota	0	0	235,780	235,780
Nebraska	0	0	1,755,620	1,755,620
Nevada	0	0	0	0
New Hampshire	3,000	0	1,484	4,484
New Jersey	1,696,337	0	1,252,516	2,948,853
New Mexico	80	0	101,000	101,080
New York	6,894,970	360,528	4,161,567	11,417,065
Ohio	1,829,445	17,200	12,053,303	13,899,948
Oklahoma	28,546	0	213,267	241,813
Oregon	1,107,631	0	0	1,107,631
Pennsylvania	17,352,988	29,466	11,536,312	28,918,766
Rhode Island	334,042	0	0	334,042
South Carolina	3,340	0	227,698	231,038
South Dakota	4,130,000	0	0	4,130,000
Tennessee	1,874,476	0	287,788	2,162,264
Texas	513,997	0	8,709,437	9,223,434
Utah	766,301	0	2,759,996	3,526,297
Vermont	833,851	0	0	833,851
Virginia	3,452,700	0	13,300	3,466,000
Washington D.C.	1,069,863	0	0	1,069,863
Wisconsin	3,320,808	0	7,032,773	10,353,581
Wyoming	26	0	0	26
State or Business Type Not Defined				315,373,900
Totals	$ 202,675,383	$ 1,666,325	$ 179,972,240	$ 699,687,848

ICAP SURVEY
GOVERNMENT IN-HOUSE FY86 DOLLARS

STATE	IN-HOUSE DOLLARS
Alaska	$ 0
Alabama	57,000
Arkansas	28,156,900
Arizona	0
California	333,000
Colorado	0
Connecticut	0
Delaware	0
Florida	0
Georgia	0
Iowa	26,048,550
Idaho	0
Illinois	24,775,950
Indiana	19,051,800
Kansas	2,090,400
Kentucky	0
Louisiana	1,460,000
Massachusettes	0
Maryland	712,000
Maine	0
Michigan	0
Minnesota	234,500
Mississippi	1,341,600
Missouri	2,072,400
North Carolina	0
North Dakota	0
Nebraska	109,200
Nevada	2,264,400
New Hampshire	0
New Jersey	50,619,600
New Mexico	0
New York	0
Ohio	93,600
Oklahoma	22,059,000
Oregon	0
Pennsylvania	537,000
Rhode Island	0
South Carolina	0
South Dakota	0
Tennessee	2,923,000
Texas	2,828,000
Utah	0
Vermont	0
Virginia	1,984,000
Washington D.C.	0
Wisconsin	276,500
Wyoming	0
Total	$ 190,028,400

ICAP SURVEY
TOTAL CONTRACTOR & GOVERNMENT FY86 DOLLARS

STATE	IN-HOUSE DOLLARS
Alaska	$ 54,030
Alabama	22,160,474
Arkansas	30,392,607
Arizona	46,699,589
California	37,028,048
Colorado	5,067,762
Connecticut	11,826,237
Delaware	36,526,217
Florida	81,950,515
Georgia	8,559,171
Iowa	74,084,367
Idaho	11,441
Illinois	68,551,451
Indiana	119,998,011
Kansas	31,320,016
Kentucky	4,330,274
Louisiana	1,478,884
Massachusettes	83,102,910
Maryland	1,286,590
Maine	687,283
Michigan	9,908,786
Minnesota	217,182,083
Mississippi	27,032,508
Missouri	211,052,260
North Carolina	262,284
North Dakota	235,780
Nebraska	1,864,820
Nevada	2,264,400
New Hampshire	4,484
New Jersey	61,837,407
New Mexico	101,080
New York	45,719,065
Ohio	22,505,445
Oklahoma	22,300,813
Oregon	1,107,631
Pennsylvania	145,336,822
Rhode Island	334,042
South Carolina	231,038
South Dakota	4,130,000
Tennessee	134,880,532
Texas	12,051,434
Utah	3,526,297
Vermont	833,851
Virginia	177,588,764
Washington D.C.	1,069,863
Wisconsin	19,240,210
Wyoming	26
State Not Defined	332,822,850
Total	$2,120,540,452

ICAP SURVEY
TOTAL CONTRACTOR & GOVERNMENT FY86 CONTRACT EMPLOYMENT

STATE	JOB MAN-YEARS
Alaska	0.5
Alabama	222.7
Arkansas	867.2
Arizona	467.0
California	376.9
Colorado	50.7
Connecticut	118.3
Delaware	365.3
Florida	819.5
Georgia	85.6
Iowa	1261.9
Idaho	0.1
Illinois	1181.2
Indiana	1581.0
Kansas	355.0
Kentucky	43.3
Louisiana	44.0
Massachusettes	831.0
Maryland	27.0
Maine	6.9
Michigan	99.1
Minnesota	2176.4
Mississippi	297.1
Missouri	2151.9
North Carolina	2.6
North Dakota	2.4
Nebraska	20.9
Nevada	67.8
New Hampshire	0.1
New Jersey	1630.8
New Mexico	1.0
New York	457.2
Ohio	226.8
Oklahoma	664.2
Oregon	11.1
Pennsylvania	1464.2
Rhode Island	3.3
South Carolina	2.3
South Dakota	41.3
Tennessee	1407.2
Texas	177.1
Utah	35.3
Vermont	8.3
Virginia	1815.4
Washington D.C.	10.7
Wisconsin	198.0
Wyoming	0.1
State Not Defined	3328.2
Total	25,005.9

Mr. MOCKENHAUPT. Mr. Chairman and members of the subcommittee, I would like to thank you for the opportunity to express my views to you this morning on a subject which I believe is of considerable urgency and importance to our national best interests, a deterrence in the form of assuring the availability of ammunition to our forces in combat situations.

Thank you very much.

I would be happy to address any questions you have.

Senator DIXON. I want to thank all three of you for your valuable contribution to the hearings that we are having in this subcommittee.

I hear everything you are saying about the Competition in Contracting Act, and you are well aware of the fact that we added the word "quality" to that legislation and the word "quality" is now also a part of the provisions of that act, which the Secretary of Defense takes into consideration.

In fact, we put it first—quality, price, delivery, and other factors. And I know all three of you are aware of the fact that hearings will begin tomorrow in Senator Bingaman's subcommittee on the question of our defense industrial base.

One of the things before that subcommittee will be S. 1892, which is my defense industrial base bill. I hope that you are aware, as the public perhaps generally is not, of the fact that I had a meeting with Dr. Costello last week, last Thursday, and with members of his staff, and I was very encouraged at that meeting by the general tenor of the discussion and Dr. Costello's indication that he is supportive of some kind of legislation to address that problem this year—not necessarily mine.

I think it is clear that we all understand that that is just a place that we begin our discussions; but I am encouraged by his warm support for the idea of doing something legislatively about the defense industrial base this year.

So I hope you folks will be following that very closely.

Mr. Bernhardt, I was interested in your comments about offset. I don't think I would be quite so strong as you were in some of your language, but you are entitled to your opinion. [General laughter.]

But I want you to know that we are introducing, toward the end of this week I will be introducing an amended bill that will be the final format for the work we will do in the defense industrial base that will be a modification of what had been done in S. 1892. We will redefine a number of things, like the definition of a domestic company, foreign companies that do business here, that have plants here in other words, or otherwise are involved.

We will exclude Canada and Israel, as you mentioned, where we have free trade agreements, and we will set up a commission for hearings on determining what we can do about this offset problem and provide reciprocity in situations where it continues to exist, and so forth.

So I would encourage you all to follow that.

Mr. Bernhardt, you raised concerns about the value of subcontracts issued by prime ammunition contractors to offshore companies. I would ask if you have any specific information that you could give this subcommittee about that.

Mr. **Bernhardt**. The best example I believe I can give you on that is the published report of an Air Force General, who said that over 55 percent of the electronic components required for the avionics industry are now purchased from overseas sources.

I understand that is a multibillion dollar industry, so that the purchase of 55 percent of the pieces and parts, electronic components that go into those avionics, having to come from offshore, would seem to me to magnify the total report, if it were to include not only the prime contracts issued by our Government to overseas sources, but also all prime contractors asking to report on the volume of dollars of subcontracting they do offshore.

Senator **Dixon**. You all heard General Greenberg testify. I was, frankly, a little surprised by the low number—he indicated 2 percent.

Mr. **Bernhardt**. But I believe that is prime only.

Senator **Dixon**. Yes.

I would be interested in hearing for the record, or if you could supply it later, we will reproduce it in the record, any information you have that would seem to dispute—although I will agree he said that was primes—but I got the impression that they were addressing that whole subject matter pretty thoroughly. I would be interested in any information you or Mr. Mockenhaupt or Mr. Catani may have in that area.

Mr. **Bernhardt**. We will attempt to provide that.

Mr. **Mockenhaupt**. Mr. Chairman, if I may make a comment in that regard, the dependence on offshore, I am sure General Greenberg's data is correct, as far as 2 percent, and that usually relates to production support procurements. But I think it is also important for this committee to recognize that we do have a significant technology dependence in the ammunition area offshore.

OFFSHORE ARMY AND AIR FORCE AMMUNITION

Let me give you just a few examples of programs that were initially developed offshore that we are currently using in the U.S. Army and Air Force today.

The 105 millimeter tank gun and ammunition for our M-60 and M-48-A-5 tanks was developed in the United Kingdom, not in the United States.

The 120 millimeter tank gun and ammunition was developed in Germany, not in the United States.

The 25 millimeter Bushmaster ammunition for our M-2 and M-3 vehicles was initially developed in Switzerland.

The 30 millimeter ammunition for the Air Force A-10 aircraft was initially developed in Switzerland.

The AT-4 light assault weapon, which is currently being produced in Sweden, was also developed in Sweden. We are taking steps now to transition that data package and production here to the United States in the Joliet Army ammunition plant.

The improved 81 millimeter mortar was developed in the United Kingdom.

The 120 millimeter mortar that is currently being completed, mortar and ammunition, the three candidate versions, one comes from Israel, one from Spain, one from France—none from the United States.

The 30 millimeter ammunition for the Navy's Harrier aircraft and for the Army's Apache helicopters initially came from France.

So, Mr. Chairman, the point I would like to make is that our dependence on foreign sources is not only in the production area, but I think also has the effect of an eroding technology base going offshore as well.

Senator DIXON. Anything of that kind that any of you have would be useful, and we would welcome it.

DEFENSE INDUSTRIAL BASE

Mr. Catani, you talked about the defense industrial base and indicated a legislative proposal. How do you define the defense industrial base in that proposal of yours?

Mr. CATANI. The defense industrial base, in the legislative proposal, as it relates to CICA right now, we are talking about the difference between the justification and authorization being used as an exception to the industrial base versus a justification and approval to go and restrict it to the industrial base. We are talking about flipping the difference between those two.

CICA right now—and I do not assume to be an expert on CICA—but CICA, right now, gives exception, gives us the opportunity to do that. But it takes a J&A to restrict it to the base.

We would propose that you utilize a J&A to not restrict it to the base.

AMMUNITION FUNDING PROFILE

Senator DIXON. All of you are familiar with the ammunition funding profile for this year and the next several years. Although this subcommittee might prefer to see more funding in this area, we are not going to be able to substantially increase ammunition funding over the levels currently projected, I'm afraid, for the next several years.

Within the current funding levels, or modifications that we might be able to achieve, what steps would you like to see the Defense Department or the Army, or even the Congress take, to enhance the industrial base for ammunition production?

I ask all three of you that question.

Mr. CATANI. I don't want to discuss tactics as it relates to the Army. We are responsive to them as it relates to that.

But the industrial base in the United States is a key element in the total industrial base for the Government. It consists of GOGOs, GOCOs, and industry.

There is a capability that exists in all of them that is not duplicated in many cases in the others. All three must be maintained.

There must be a warm base. There must be a capability. A short-term cost-saving approach cannot be taken by allowing predatory pricing companies, whether that be United States or foreign, to come in, take an item over, maybe produce it, possibly with poor quality, and not be able to stay in for the long run, which is required for a defense industrial base.

Over the past 10 or 15 years, there has been a slow erosion. We have all seen this erosion take place in optics, cameras, automobiles, textiles, tool machines and steel. That is a continuum. It is not precipitous.

We all wake up one morning and we say, "What happened to the tool machine business?"

We can see pieces of that starting to happen now in the industrial base. And, if we don't stop it, we will wake up some morning and find it gone, and I think that would be catastrophic for this country.

Senator DIXON. Thank you.

Mr. Bernhardt.

Mr. BERNHARDT. I would like to echo Angelo's previous position on the legislation, where in order to stop the abuses that are coming, in my opinion, by not using Exception 16, which is in the CIA Act, that we flip that, so that they have to do the extra work to violate Exception 16, instead of having to do the work to support the award under Exception 16.

I believe that, if they intend to pursue the policy on self-facilitization, they must define some indemnification policy. I understand there is the IMIP program out there that I believe has been used by the Air Force frequently. However, there is no protection if the program, for which you are asked to self-facilitize, is shortened for the number of years they are going to procure, the volume of production is less than originally anticipated, and/or the program is totally cancelled. There is no protection for the return on that investment in the event one of those situations occurs.

We have to take a much harder look or more broad look. As I said earlier, we are squaring and cubing the effect of a whole series of factors. Anyone alone does not appear to be that harmful. But, when you put it all together—policy, profit policy—I think some consideration has to be given there. The whole new profit policy was with the objective, I believe, of reducing defense contractors' profits by at least 1 percent. Yet there are numerous reports out that say that the profit from defense contractors is equal to or less than that of their counterparts in the commercial marketplaces.

We cannot continue to just have such a parochial and limited view of any position being taken by one or more branches of the Government or the Department of Defense itself. Somebody has to pull these all together and see what, additively, these things are doing to the base.

Senator DIXON. Thank you.

Mr. Mockenhaupt.

Mr. MOCKENHAUPT. Mr. Chairman, as I mentioned in my testimony, I would strongly endorse the maintenance of a warm base of supply for all of our ammunition items that are necessary for industrial preparedness planning here in the United States and in Canada. I would certainly also echo what Angelo Catani and Ken Bernhardt have said with regard to a more intelligent, a more responsive way, of implementing the Competition in Contracting Act.

I think I would add one more dimension, and that is to more aggressively consider injecting productivity improvements into the defense industrial base. I would like to site just one example.

I would strongly endorse consideration of incentive contracting to industry for either productivity improvements or for quality improvements. I think an excellent example of a program which has greatly benefitted from quality improvement incentives is the MK 46 antisubmarine warfare torpedo.

Mr. Chairman, when we have quality improvement incentives, what we do is dramatically reduce the scrap and rework costs, and the performance that we have achieved in the MK 46 torpedo over the past 5 years of production has consistently been five to eight points above the acceptance specification.

Now, in the past, we have tended to view that whole philosophy as gold-plating. But what it does to the cost and reliability characteristics of a weapon is quite dramatic.

The result, in the case of the MK 46, is that the Navy has gotten a better torpedo, they have gotten considerable savings in maintenance reduction because of the higher reliability, and certainly the contractor has had the benefit of improved profitability.

I believe incentives like this should be considered much more aggressively by the Congress.

Senator **Dixon**. I want to thank you all for your valuable testimony. I am going to have to have a little classified hearing now with the prior witnesses for a brief period, and then I have to go to the floor by 11:30.

We find your contributions most helpful, and I hope that you will urge others in your industry to help to make a contribution as we try to develop this legislation.

We thank you.

[Whereupon, at 11:12 a.m., the subcommittee recessed, to reconvene in closed session.]

CLOSED SESSION

The subcommittee met, pursuant to recess, at 11:14 a.m. in room SR-222, Russell Senate Office Building, Senator Alan J. Dixon (chairman) presiding.

Present: Senator Dixon.

Staff present: Robert E. Bayer, Ronald P. Kelly, and David S. Lyles; professional staff members; and Mary J. Kampo, staff assistant.

Also present: Charles C. Smith, assistant to Senator Dixon.

Senator **Dixon**. We are now in classified session. I trust that you are satisfied, David, that we are?

Mr. **Lyles**. Yes, sir.

Senator **Dixon**. First of all, I want to thank you both again for your testimony this morning. I presume, David, that you have made arrangements to get all of the graphs. I am particularly interested in pursuing this one some more in the future (indicating).

ARMY AND AIR FORCE SUSTAINABILITY

I wonder if each of you could simply tell us—and you could go first, if you will, General Greenberg—where this budget request puts us in terms of overall Army and Air Force sustainability in conventional ammunition.

General **Greenberg**. Yes, sir.

AGGREGATE MUNITIONS DAYS OF SUPPLY (DOS)

			(FY89 DELTA)
	FY87	FY88	FY88/89 BUD SUBMIT
ANTI-PERSONNEL			
PREFERRED			
WITH SUBSTITUTIONS			
ANTI-TANK			
PREFERRED			
WITH SUBSTITUTIONS			
ANTI-MATERIAL			
PREFERRED			
WITH SUBSTITUTIONS			
FASCAM			
TOTAL			
PREFERRED			
WITH SUBSTITUTIONS			

[Deleted]

Let me put a viewgraph on to illustrate my point.

What we have done is broken it down into its components.

Let me say first that the day of supply measure is a very inprecise measure and is theater oriented. That is, the days of supply in Europe is different than days of supply in Korea. It is very difficult to take a day of supply of 4.2-inch ammunition and add it to a day of supply of small arms ammunition. What you get is chopped liver, instead of something rational.

What we have attempted to do is to take 35 of what we consider war drivers and try to construct a mathematical model which gives us some measure of where we are at a given time in the sequence of things.

While we are not fighting a war, we are drawing down some of our ammunition stocks, so the decrements that you see would merely indicate that either we have not bought any war reserve ammunition and have fired that ammunition in training, or that we may have changed the calculation, which we do about every 2 or 3 years, for each one of the war-fighting scenarios in Europe, Korea, and in the Mideast, to bring them up to date.

So, if you take a look at anti-personnel, which consists of small and medium caliber ammunition, you can see that, worldwide, we believe we are about at the [deleted] mark.

Senator DIXON. And that is an improvement over 1987?

General GREENBERG. Yes, sir.

But, you'll notice that it is a [deleted] days of supply over 1988. That would say that we are consuming between 1988 and 1989 more than we are buying.

In the anti-tank area, our preferred anti-tank stockpile is going down. Let me say that that isn't a function of the amount of ammunition, so much as it is the increase in firing platforms. As more firing platforms enter the system—and, of course, our M-1 fleet is getting larger—the stockpile that existed is now distributed over a much larger grouping.

Senator DIXON. What does that mean, "preferred" or "with substitution," for instance, on the anti-tank? It looks like you have gone up in substitutions but down on preferred.

General GREENBERG. Yes, sir. In this particular ammunition item, we are modernizing our ammunition stockpile in an incremental way.

For example, let me take the 105mm tank ammunition. The old M735 round we built with a tungsten core is not as effective as the M774 round, which was added later with a DU core. More recently we have added the M833, which gives us a longer penetrator, a better penetrating capability, and each of those are, subsequently, added to the stockpile.

Now, if you take that entire aggregated stockpile, the days of supply is, as you see, where it says "with substitutions". It is everything in the inventory to fire against enemy targets.

Much of that is going to be very effective against——

Senator DIXON. But it is a fact that the old stuff won't kill a Soviet tank?

General GREENBERG. Much of the old stuff will not kill the more modern tanks. However, that is to imply that we have nothing but those modern tanks instantaneously on the battlefield. Much of what we've got here will penetrate the older tanks and certainly penetrate the BMPs and some of the thiner skinned targets. So it is still a very viable weapon system.

Senator DIXON. Our best stuff will penetrate their best stuff, is that what you are saying?

General GREENBERG. Sir, when you talk about the preferred munition, yes.

Senator DIXON. But you are saying that—and I am going to oversimplify this—that we only have [deleted] days of stuff that will penetrate their best stuff.

General GREENBERG. Yes, sir—the rounds that we would prefer to have. But it is the newer ammunition and we are buying it, of course, not all at once, but we are trying to add it to our inventory as funds become available.

Senator DIXON. OK.

General GREENBERG. In the anti-materiel area, these are artillery and mines and those kinds of things—[deleted] days of supply.

Again, I use the terminology "with substitutions" because we have older rounds in the inventory which we intend to use.

FASCAM

Senator **Dixon**. What is FASCAM?

General **Greenberg**. Family of Scatterable Mines. That is a whole series of mines which are artillery delivered or mechanically delivered systems, rather than the old dig-a-hole-and-plant-a-mine system.

So, overall, we would say, again, looking at the global, worldwide scenario, which is the two and a half war that we have to fight, we believe we are at about [deleted] days of supply.

If you were to ask me where I would like to be, I would like to be, at at least [deleted] days of supply across the board.

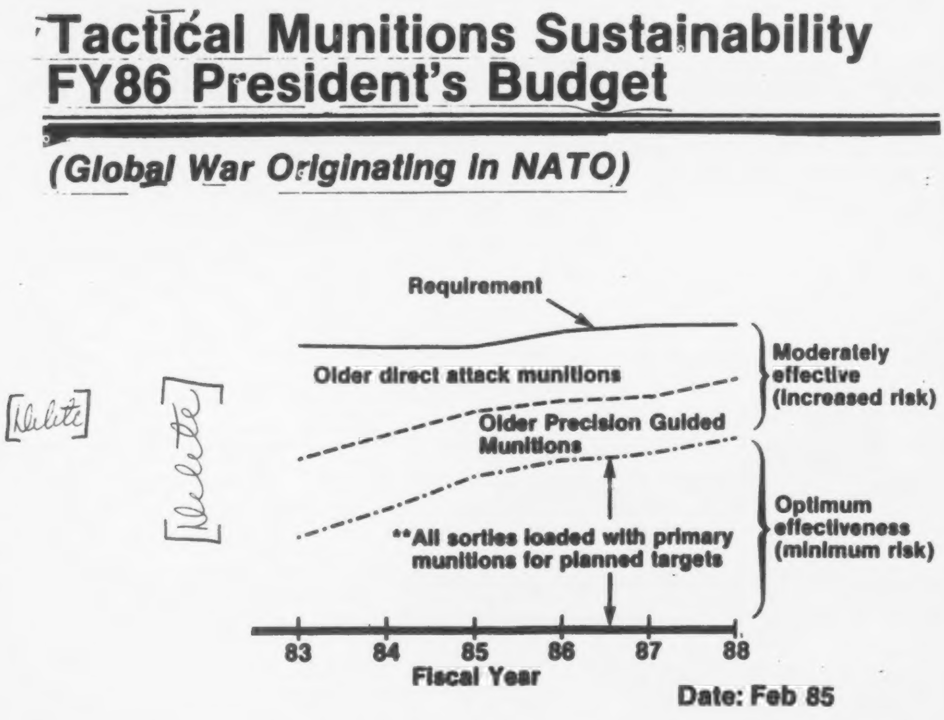
Senator **Dixon**. What is the ideal?

General **Greenberg**. Well, we have said over time that we would like to have [deleted] days of supply.

I think I told you before that I would provide for the record what the cost of that is. But my recollection is, sir, for conversational purposes about $25 to $30 billion in about 1982 dollars. So it is clearly not within our capability to fund.

Senator **Dixon**. Let me hear now from General Bracken because, frankly, I have to get on the floor by 11:30.

General **Bracken**. Sir, I have three charts that I would like to show which address our capability requirements versus what we have been able to procure.



Tactical Munitions Sustainability
FY86 President's Budget

(Global War Originating In NATO)

Date: Feb 85

I would like to go back and look at 1986 as the first point of reference.

We use sorties to gage capability in the Air Force, as opposed to days of supply.

In the fiscal year 1986 submission, as you can see by the viewgraph displayed, the preferred precision guided munitions line at the bottom, shows a considerable ramp-up in terms of what we planned to have on-board, based on the planning in 1986.

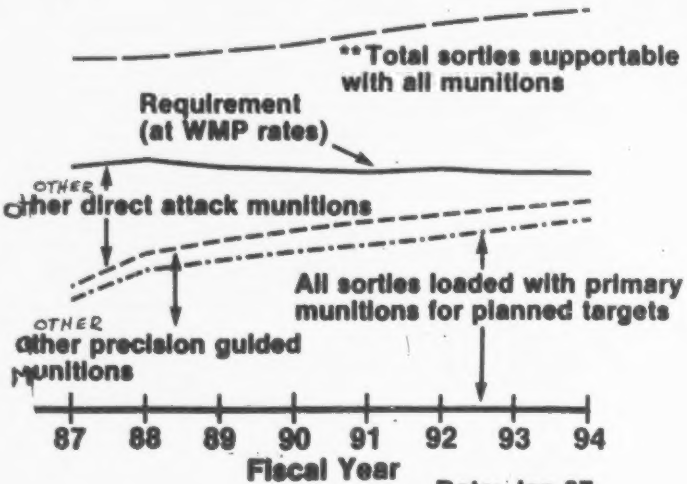
The substitute precision guided munitions, which is the dashed line, the second line up, reflects those kinds of munitions that we can substitute with a reasonable degree of certainty, but with some reduction in kill capability. But, nonetheless, they are an effective munition. As examples, we would substitute the TV guided Maverick for the IR guided Maverick, that is the infrared guided Maverick or the GBU-10 laser guided bomb for the GBU-24 laser guided bomb. The requirement line at the top is the WMP requirement based on the force structure that is programmed at that particular time.

Tactical Munitions Sustainability FY88 President's Budget

(Global War Originating in NATO)

[White]

[White]



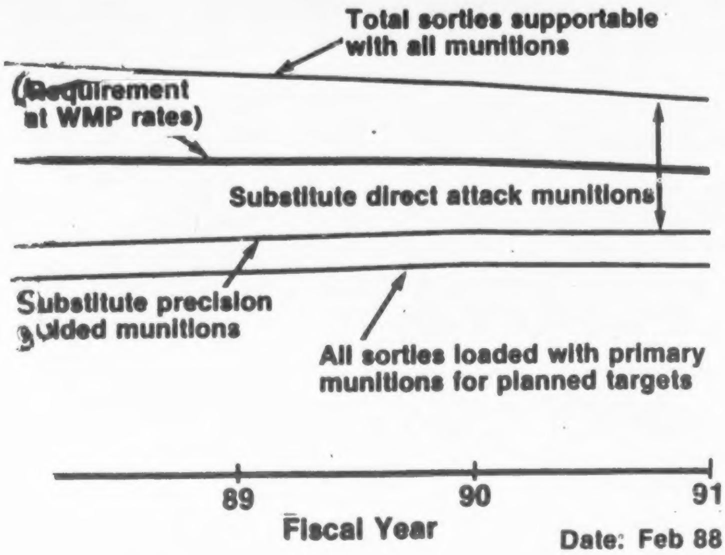
Date: Jan 87

If we now move to what was in the 1988 budget we show the same requirement at WMP rates but you can see the sortie requirements are coming down because we have started to drawdown some force structure.

The total requirement against the subset of targets we have to kill is probably higher than that, but that is all we can support given the force structure that is available, the WMP line, if you will.

You can see some leveling in both the preferred guided munitions line as well as the substituted guided munitions line. We exceed the requirement at the WMP rate with other kinds of less desirable munitions as shown by the total sorties supportable with all munitions line. When you sum direct attack "dumb bombs" which require a flyover of the target and the preferred precision guided munitions and the substitute precision guided munitions, we are above the WMP sortie rate.

Tactical Munitions Sustainability FY89 President's Budget



(DELETED)

Date: Feb 88

In the 1989 submission, the requirement is still declining because of force structure changes, I mentioned previously. The precision guided munition preferred and substitute lines are leveling because of the actions that we have had to take in sizing down the Defense budget in 1989 and the Air Force's portion thereof. You can see the total sorties supportable with all kinds of munitions is also on the decline. This decline is because we have had to make some WRM withdrawals in the last several years to support the training requirements of air crews.

Sir, I would like to amplify on one statement or question that you asked me during the open session of the hearing with respect to what would I give up and the proposal to buy more munitions. The budget that we submitted in 1989 is a balanced budget, and if we have to operate within the constraints of the total obligation authority as well as the outlay targets that were agreed to in the summit agreements, we are not prepared to offset anything, sir. We need the items that we have put in the submission, and if we plus-up additional munitions procurement at the expense of O&M, as an example, which we are really in trouble in 1988, any kind of further erosion in 1989 in the O&M budget would have a very marked effect on the readiness and the sustainability of our forces.

We had to make some tough choices, as I indicated earlier, and we just can't afford to buy other things that fell on the table, if at the expense of our overall request.

Senator **Dixon**. I appreciate the testimony of both of you and I appreciate what you have given to us in this classified session.

[Questions for the hearing record with answers supplied follow:]

Questions Submitted by Senator Strom Thurmond

AMMUNITION PRODUCTION BASE

Senator **Thurmond**. Lack of preparedness resulted in a severe ammunition shortage during the first two years of the Korean War with nearly disastrous consequences. These shortages precipitated Congressional inquiries and resulted in accelerated attention to the need for establishing and maintaining an industrial preparedness and readiness program, by the limited available procurement requirements. The need for such support has been repeatedly recognized by succeeding legislation, including specific exceptions provided in the Competition in Contracting Act to preserve the defense industrial base.

These protections in law are jeopardized, according to many representatives of the nation's planned industrial mobilization base ammunition suppliers, by practices displacing domestic mobase suppliers (1) by concentration of peacetime procurement, without competition, in a few government-owned plants, and (2) when not so allocated, by foreign competition, which are not subject to costly U.S. regulations not comparable wage and social welfare program requirements.

In view of the fact that the primary sources of artillery projectiles in national emergencies are the private industries comprising the planned industrial mobilization base and that the supplemental capacity established in government-owned plants in recent years was authorized and funded by Congress for wartime emergencies rather than to replace or compete with private industrial sources, should peacetime procurement strategies and priorities be reversed to provide primary support for the planned mobilization base producers in the private sector?

General **Greenberg**. The decision to utilize a Government-owned or commercially-owned facility when dual capability exists will be based on factors such as capacity, cost, ability to meet deliveries, skills retention, maintaining critical producers, and workload balance. In general metal parts will be produced in the Contractor-owned, Contractor-operated (COCO) sector unless a different strategy is in the overall best interest of the production base. A minimum capability is maintained in the Government-owned facilities and a case-by-case assessment is performed to determine the best strategy.

Senator **Thurmond**. Recognizing the desirability for retention, to the maximum extent practicable, of active production among major suppliers of critical ammunition, would it not be more equitable to seek to apportion those production requirements between the GOCO plants and the private sector rather than making real estate ownership determinative?

General **Greenberg**. Department of Defense directives, regulations and legislation, such as the Defense Industrial Reserve Act requires that the government maintain ". . . an essential nucleus of government-owned industrial plants and an industrial reserve of equipment for immediate use to supply the needs of the Armed Forces in time of emergency; . . ." The government-owned base is workloaded to retain expertise, retain unique facilities and to meet required delivery schedules to support the soldier.

Real estate is not determinative. In general the metal parts are produced in the private sector. The government sector is utilized to produce propellants, explosives, lethal chemicals, and end item load, assemble and pack, where large investment is required for facilities and land.

It should be noted that the private sector has been heavily facilitized by the government; i.e., some have received over 80% of their equipment from the government. While referred to as the private sector these companies have also benefited from government funding.

Senator **Thurmond**. Does the Arsenal Act encourage discrimination between sources based upon real estate ownership by the federal government? Is it true that certain competitive advantages are provided to that segment of the industrial mobilization base which is government-owned but privately operated, through such factors as facilities cost amortization, property taxes, maintenance costs, rental charges, and risk of loss?

General **Greenberg**. The Arsenal Act does not discriminate between sources based upon real estate ownership by the Federal Government. The Arsenal Act, simply stated, requires that the Secretary of the Army have supplies made in factories or arsenals owned by the United States, provided it can be done on an economical basis. It should be noted that in introducing what has become the Arsenal Act, Congressman Sanford stated, "It is perfect nonsense to allow such an investment as this [in Government factories or arsenals] to go to waste and at the same time turn over work to be done by contract by private manufacturers." The Act does not discriminate because it looks to putting the work where the most savings can accrue to the Government.

Senator **Thurmond**. What is the interpretation of the phrase in the Arsenal Act "on an economic basis"? If private sector production is more cost-efficient than public sector production, should not the Department of Defense employ the Arsenal Act to maximize munitions procurement from the private sector, and to make certain that GOCO and COCO bids are evaluated on an equal footing, taking into consideration out-of-pocket costs?

General **Greenberg**. The phrase "on an economical basis" has been interpreted by the Comptroller General to mean that costs on a given project, when bid by a Government installation, should be considered on an out-of-pocket basis. Out-of-pocket costs include only those additional costs attributable to the project. Out-of-pocket costs do not include those additional costs that would be incurred by the bidding Government installation irrespective of its participation in the project. The bottom line is that under the Arsenal Act the work is to go to that Government or contractor activity that can get the work accomplished for the fewest dollars coming out of the Government's pocket.

Questions Submitted by Senator John McCain

INDUSTRIAL BASE

Senator **McCain**. There are a number of different proposals to protect the Army's supply of ammunition by protecting its industrial base in the United States. Has the Army analyzed these proposals, and if so, could you provide us with a detailed statement for the record on the Army's position on such proposals, and on their estimated initial and continuing costs?

General **Greenberg**. I assume that the proposals to protect the industrial base you refer to are those in the proposed Defense Industrial Preservation Act of 1988. The Army has analyzed the proposals and, generally, they are acceptable to the Army. In fact, several, such as the Integration of Industrial Preparedness into the Acquisition Process and Transition to Production are Army policies already in place. The Defense Production Innovation Center proposal is a welcomed approach which the Army applauds. The only concern the Army has is the 70 percent threshold language for maintaining domestic success which implies that 30 percent of the market may go offshore. This erosion to offshore may be irreversible. No estimate of costs has been made.

Senator **McCain**. Could you provide us with the Army's view of the suggested amendment to Section 2400, Title 10, of the U.S. Code, as suggested by Mr. Catani, and with a detailed estimate of its initial and continuing costs?

General **Greenberg**. The Army supports Mr. Catani's intent by restricting procurements of critical ammunition to United States and Canada, and in many cases, to specific mobilization base producers. New procedures for specific exceptions are not warranted. The cost to restrict critical items to United States and Canada is negligible since competition to U.S. and Canadian sources would hold prices to a reasonable level.

Senator **McCain**. Could you provide us with a broader picture of the Army's current dependence on either imports of military goods or industrial mobilization in time of war? Is ammunition the key war stopper? Would other investments in other areas have to be made to ensure the Army could fight and that an investment in the industrial base for ammunition would have value? If so, could you provide us with a detailed list of the actions that would have to be taken and of their individual and total cost?

General **Greenberg**. Yes, sir. In case of ammunition and ammunition components there is very little dependence on imports of goods. There is more dependence on imports in the area of electronic components and components for optical instruments. While ammunition is a war stopper it should be noted that ammunition without a platform to fire it and means to get it to the combat zone (truck, fuel etc.)

is unusable. In summary all things must complement each other and be available to provide the soldier the ability to defeat the enemy. The Army is conducting a study called Maximum Army Expansion "MAX" which will detail these required actions and associated costs.

Senator DIXON. This subcommittee meeting is adjourned.

[Whereupon, at 11:25 a.m., the subcommittee adjourned, to reconvene upon the call of the Chair.]

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 1989

THURSDAY, MARCH 31, 1988

U.S. Senate,
Subcommittee on Readiness,
Sustainability and Support,
Committee on Armed Services,
Washington, DC.

OVERSEAS BASE AGREEMENTS AND ASSOCIATED MILITARY CONSTRUCTION PROGRAMS AND ADMINISTRATION OF U.S. MANEUVER DAMAGE CLAIMS IN EUROPE

The subcommittee met in open session, pursuant to notice, at 2 p.m., in room SR-222, Russell Senate Office Building, Senator Alan J. Dixon (chairman) presiding.

Present: Senator Dixon.

Staff present: Patrick A. Tucker, minority counsel; Robert E. Bayer, Richard D. Finn, Jr., Judith A. Freedman, George K. Johnson, Jr., and David S. Lyles, professional staff members; Mary J. Kampo, staff assistant.

Also present: Charles C. Smith, assistant to Senator Dixon.

OPENING STATEMENT OF SENATOR ALAN J. DIXON, CHAIRMAN

Senator Dixon. The subcommittee will come to order.

Good afternoon, ladies and gentlemen.

The Readiness, Sustainability and Support Subcommittee meets today to continue our hearings on the amended fiscal year 1989 Defense authorization request.

This afternoon, the subcommittee will focus on several issues related to our military forces deployed overseas. The witnesses from the General Accounting Office and from the Army will discuss the payment of U.S. maneuver damage claims in West Germany. The witnesses from the Office of the Secretary of Defense will discuss overseas base agreements and the overseas military construction request for fiscal year 1989.

We have decided to change the order in which our panels testify today. We originally planned to have the OSD witnesses first, followed by the General Accounting Office and the Army witnesses.

However, because there may be some classified issues that come up during the OSD testimony, we will ask our OSD witnesses to go third. That way, if we need to discuss classified matters, we can go into executive session at the end of the hearing, with a minimum of disruption.

The General Accounting Office representatives will present the results of an investigation I requested on the U.S. payment of military maneuver damage claims in West Germany.

GAO published a report in 1980 recommending that the Defense Department strengthen the capability of the U.S. Army Claims Service to verify damage claims in West Germany through the use of qualified engineering personnel. Last fall, it came to my attention that the Defense Department and the Army very frankly had done very little in response to this GAO report.

This Senator realizes that our troops must conduct realistic training in Germany, and that property damage from this training is inevitable. The NATO Status of Forces Agreement governs many of our actions in this area, and this Senator is not advocating any renegotiation of our rights and obligations under the NATO SOFA.

However, if there are steps that we can take under the SOFA to do a better job of verifying maneuver damage caused by U.S. troops in West Germany, then, in my opinion, we should take them.

At this time, I would like to recognize our GAO witnesses.

Mr. Joseph Kelley is an Associate Director of the General Accounting Office.

Mr. Donald Hunts is also from the General Accounting Office and is the evaluator in charge of this particular investigation.

Gentlemen, we welcome you to the subcommittee this afternoon. As other members come in, I think I will recognize them to put their statements into the record, if you don't mind.

May I say that the format will be that we will try to get done by about 4 o'clock. There is going to be an interruption for at least one Contra assistance vote at around 2:30. I will try to make that interruption very brief. If there are other members here, we will try to stagger our leaving the committee and returning.

I am delighted to recognize you, Mr. Kelley.

Would you all, incidentally, try to keep your remarks brief, if you can.

If you have a full and complete statement—and we know that you do—that you want to put into the record, that will be reproduced in the record in full.

STATEMENT OF JOSEPH E. KELLEY, ASSOCIATE DIRECTOR, NATIONAL SECURITY AND INTERNATIONAL AFFAIRS DIVISION, GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY DONALD HUNTS, EVALUATOR IN CHARGE, GENERAL ACCOUNTING OFFICE

Mr. Kelley. Thank you, sir. I do have a statement to submit for the record, and I have a summary of it that I would like to go into, if I might.

Senator Dixon. Good.

Thank you.

Mr. Kelley. Mr. Chairman, I am pleased to be here to discuss our review of the processing and verification procedures for settling maneuver damage claims in the Federal Republic of Germany. We initiated the review at your request, after the committee had obtained information indicating that the Department of Defense had done little to increase U.S. involvement in the verification process, as we had recommended in our prior report.

Our review confirmed that there has been very little U.S. involvement in the verification process. We found that virtually all claims continued to be paid without adequate U.S. inspection or verification. The potential impact of this deficiency became more evident in 1986, when a special test was conducted using U.S. personnel to perform on-site inspections. As a result of those inspections, considerably lower payments were made on the test cases than were made to similar claims that had not been inspected by U.S. personnel. While the test was limited in numbers and covered only one German county, it included all claims submitted to the Army over a 2-month period. In view of the results of the test, we believe that the United States needs to increase its involvement to protect U.S. interests. Last month, the Army approved several actions designed to strengthen its verification capabilities.

The 1951 North Atlantic Treaty Organization (NATO) Status of Forces Agreement, called the SOFA, grants the Army the right to maneuver outside its designated training areas in Germany. The Army does not have enough space within its training areas and, therefore, conducts about 1,000 maneuvers annually on public and private land to maintain force readiness. These maneuvers inevitably cause damage to German roads, fields, and forests, and result in thousands of damage claims being filed against the United States. In 1981, the Army established a maneuver management program in Germany to prevent unnecessary damage. Army officials believe this program is effective in controlling damage, while allowing for adequate, though somewhat reduced, maneuver realism.

The SOFA also governs the cost-sharing arrangements and the rights and obligations of the United States and Germany in settling claims. Generally, the United States pays 75 percent of the cost of U.S. caused damage and Germany pays the remaining 25 percent. Over the last 8 years, annual payments of the U.S. share have averaged about $29 million.

To implement the SOFA, the United States and Germany have entered into an administrative agreement that details the specific procedures for processing claims. Under this agreement, Germany retains the exclusive right to adjudicate claims. Germany's 36 Defense Cost Offices, which are known as DCOs, which employ about 600 persons, process all claims submitted for damage allegedly caused by NATO forces. The DCO staffs inspect the damage, negotiate the settlements, pay claimants out of their own funds, and then bill the United States for its share. The United States does not reimburse Germany for any costs to run these offices; it only pays for its share of the cost of maneuver damage claims which may be awarded.

The Army Claims Service Europe is responsible for the U.S. processing and paying of maneuver damage claims in Germany. We found that it pays virtually all claims without U.S. verification that damage occurred or that it was caused by U.S. forces.

In fiscal year 1987, for example, the Army Claims Service's role in processing three-quarters of the claims, or about 20,000 claims, was limited to reimbursing the German Defense Cost Office for the

U.S. share of the settlements. The U.S. share amounted to about $15 million. For the remaining quarter of the claims—about 5,700—the Claims Service used information contained in what is known as master maneuver damage reports, submitted by maneuvering units, to confirm that U.S. forces could have caused the damage. However, these reports provide only limited basis for verification because, for most claims, all that could be ascertained was that the damage occurred within the time and geographical limits of a U.S. maneuver. About $28 million has been claimed for cases in which this process is used. Actual U.S. payments required will not be known until the claims are adjudicated. In our view, the Claims Service did not have the personnel or the expertise to routinely verify claims, even high-cost claims.

I would like to discuss why we feel that U.S. involvement should be strengthened. Several questionable claims were identified in isolated inspections conducted from late 1984 through the spring of 1986. Because of these claims, the Claims Service conducted a special test in 1986, to ascertain the feasibility of increasing on-site inspections. A maneuver damage prevention specialist from one of the U.S. units inspected the alleged damage for all 94 claims submitted from one German county between May and July of 1986. The inspections disclosed that in 19 of the cases, the damages had not occurred, or the damage was not caused by U.S. forces. In another 29 cases, it was found that U.S. forces had not caused all the damage claimed. As a result, the DCOs paid only about 25 percent of the amount claimed for the 90 claims that had been settled as of October 1987. This is a significantly lower rate than the overall average of 85 percent paid for claims processed in 1986. On the basis of this substantial differences, the Claims Service estimated potential savings of up to $10 million per year by using on-site U.S. inspections as a verification technique. However, experience, in our view, is needed from a broader base to confirm this estimate.

The Claims Service would like to perform joint on-site inspections for high cost claims, but it lacks the necessary personnel. The DCOs appear willing to cooperate with U.S. personnel in performing joint inspections, as long as the United States does not interfere in the settlement process. Furthermore, only the administrative agreement would need to be amended to allow for U.S. inspections. The SOFA would not have to be changed.

Army officials recently told us that they are taking several actions to strengthen U.S. verification as a result of a 1987 internal study of the Army's maneuver management system in Germany. These actions include studying ways to make maneuver damage reports more useful for verification purposes; formalizing the part-time use of personnel in the operating units to verify claims; and providing the Claims Service with five additional staff to enhance its verification capabilities.

We feel the Army's decision to provide additional resources to increase inspections by U.S. personnel is an essential first step. It also needs to develop procedures to ensure that sufficient data is collected to be reasonably assured that only valid claims are paid.

In a draft report on this topic recently sent to the Department of Defense, we have recommended that the Secretary of Defense take certain actions to strengthen the internal controls over the payment of maneuver damage claims. These include insuring that the planned Army actions are implemented and directing the use of the Corps of Engineer personnel stationed in the FRG to assist in the review of claims in a verification process, and the development of procedures to collect and document sufficient data, to be certain that only valid claims are paid.

Mr. Chairman, this concludes my summary, I would be happy to respond to any questions you may have.

[The prepared statement of Mr. Kelley follows:]

Statement of
Joseph E. Kelley, Associate Director
National Security and International
Affairs Division

Mr. Chairman, Members of the Subcommittee:

I am pleased to be here to discuss our review of the processing and verification procedures for settling maneuver damage claims in the Federal Republic of Germany (FRG). We initiated the review at your request after the Committee had obtained information indicating that the Department of Defense (DOD) had done little to increase U.S. involvement in the verification process as we recommended in a prior report.[1]

Our review confirmed that there has been very little U.S. involvement in the verification process. We found that virtually all claims continued to be paid without adequate U.S. inspection or verification to make sure that damage occurred and that it was caused by U.S. forces. The potential impact of this deficiency became more evident in 1986, when a special test was conducted using U.S. personnel to perform on-site inspections. As a result of these inspections, considerably lower payments were made on the test cases than were made on similar claims that had not been inspected by U.S. personnel. While the test was limited in numbers and covered only one German county, it included all the claims submitted to the Army over a 2-month period. In view of the results of the test, we believe that the United States needs to increase its involvement to protect U.S. interests. Last month, the Army approved several actions designed to strengthen its verification capabilities.

The 1951 North Atlantic Treaty Organization (NATO) Status of Forces Agreement, called the SOFA, grants the Army the right to maneuver outside its designated training areas in Germany. The Army does not have enough space within its training areas and therefore conducts about 1,000 maneuvers annually on public and private land to maintain force readiness. These maneuvers inevitably cause damage to German roads, fields, and forests and result in thousands of damage claims being filed against the United States. In 1981, the Army established a maneuver management program in Germany to prevent unnecessary damage. Army officials believe this program is effective in controlling damage while allowing for adequate, though somewhat reduced, maneuver realism.

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[1] Military Damage Claims in Germany--A Growing Burden (GAO/ID-81-4, Oct. 9, 1980).

The SOFA governs the cost-sharing arrangements and the rights and obligations of the United States and Germany in settling claims. Generally, the United States pays 75 percent of the cost, and Germany pays the remaining 25 percent. Over the last 8 years, annual payments for the U.S. share have averaged about $29 million.

To implement the SOFA, the United States and Germany have entered into an administrative agreement that details the specific procedures for processing claims. Under this agreement, Germany retains the exclusive right to adjudicate claims. Germany's 36 Defense Cost Offices (DCO), which employ about 600 persons, process all claims submitted for damage allegedly caused by NATO forces. The DCO staffs inspect the damage, negotiate settlements, pay claimants out of their own funds, and then bill the United States for its share. The United States does not reimburse Germany for any costs to run these offices; it only pays for its share of the maneuver damage claim which may be awarded.

The Army Claims Service Europe, or the Claims Service, is responsible for the U.S. processing and paying of maneuver damage claims in Germany. In the majority of cases, it is only notified of the settled amount and thus is expected to pay without any further involvement. Such expedited procedures are used for small claims of less than $1,765, other than claims for road damage, and for claims from large U.S. and multinational maneuvers, except for large claims generally exceeding $58,825. Of the more than 25,600 claims processed in fiscal year 1987, about half, called simplified claims, were small-value claims with the U.S. share totaling $2.2 million. Another quarter, called blanket-scope claims, were from large U.S. or multinational exercises, with the U.S. share totaling $13.2 million.

The remaining quarter of the claims were processed under what is known as "scope" procedures. The role of the Claims Service in processing these claims is to confirm that U.S. forces could have caused the damage. To make this determination, it uses information contained in Master Maneuver Damage Reports submitted by maneuvering units. However, these reports are of limited value for this purpose, and for most claims, all that can be ascertained is that the damage occurred within the time and geographical limits of a U.S. maneuver. Even so, few U.S. inspections are made and adequate records have not been kept on those that were conducted. Thus, the Claims Service has limited knowledge on which to base its decision. Without any reason to say otherwise, it certified that U.S. forces could have caused damage for more than 99 percent of the scope claims it processed in 1987. These claims totaled more than $28 million, but the final amount to be paid will not be known until they are adjudicated. (Additional details on claims and payments are contained in the attachments to my statement.)

I would like to discuss why we feel that U.S. involvement should be strengthened. Several questionable claims were identified in isolated inspections conducted from late 1984 through spring 1986. Because of these claims, the Claims Service conducted a special test in 1986 to ascertain the feasibility of increasing on-site inspections. A maneuver damage prevention specialist from one of the U.S. units inspected the alleged damage for all 94 claims submitted from one German county between May and July. The inspections disclosed that in 19 of the cases the damages had not occurred, or the damage was not caused by U.S. forces. In another 29 cases, it was found that U.S. forces had not caused all the damage claimed. As a result, the DCOs paid only about 25 percent of the amount claimed for the 90 claims that had been settled as of October 1987. This is a significantly lower rate than the overall average of 85 percent paid for claims processed in 1986. On the basis of this substantial difference, the Claims Service estimated potential savings of up to $10 million per year by using on-site U.S. inspections as a verification technique. However, experience from a broader base is needed to confirm this estimate.

The Claims Service would like to perform joint on-site inspections for high-cost claims, but it lacks the necessary personnel. The DCOs appear willing to cooperate with U.S. personnel in performing joint inspections, as long as the United States does not interfere in the settlement process. Furthermore, only the administrative agreement would need to be amended to allow for U.S. inspections. The SOFA would not have to be changed.

Army officials recently told us they are taking several actions to strengthen U.S. verification as a result of a 1987 internal study of the Army's maneuver management system in Germany. These actions include (1) studying ways to make maneuver damage reports more useful for verification purposes, (2) formalizing the part-time use of personnel in the operating units to verify claims, and (3) providing the Claims Service with five additional staff to enhance its verification capabilities.

The Army's decision to provide additional resources to increase inspections by U.S. personnel is an essential first step. It also needs to develop procedures to ensure that sufficient data is collected to be reasonably assured that only valid claims are paid. Such procedures should (1) identify a portion of claims processed under scope and blanket-scope procedures to be verified through inspections; (2) identify questionable claims, such as high-cost road damage claims, and ensure they are verified by qualified personnel; and (3) ensure that adequate records are made of verification efforts.

To further enhance capabilities, the Corps of Engineers, already in-country, could be used to review claims and conduct on-site inspections, especially for the higher cost road damage claims. In 1987, the Claims Service tested the feasibility of using the Corps to verify damage and believes this assistance would be worthwhile. The Corps agreed but said it would need funding for this purpose.

In a draft report recently issued to DOD, we have recommended that the Secretary of Defense take certain actions to strengthen the internal controls over the payment of maneuver damage claims in the FRG. These include (1) ensuring that the planned Army actions are implemented and (2) directing the use of Corps of Engineer personnel stationed in the FRG to assist in the review of claims and verification process and the development of procedures to collect and document sufficient data to be certain that only valid claims are paid.

This concludes my statement. I will be happy to respond to any questions.

ANNUAL MANEUVERS AND MANEUVER DAMAGE PAYMENTS

Year	Number of maneuvers outside U.S. training areas	U.S. maneuver damage payments[a] (millions)	Payment backlog[b] (millions)
1980	858	$20.1	$19.3
1981	1,092	35.4	15.0[c]
1982	941	52.5	None
1983	940	33.6	None
1984	989	23.8	None
1985	1,015	23.5	None
1986	1,098	18.6	22.7
1987	d	22.8	24.6[e]

[a] Payments are reported on a fiscal year basis.

[b] A payment backlog is created when annual payments are insufficient to meet obligations.

[c] The backlog was eliminated in fiscal year 1982.

[d] Calendar year 1987 figures were unavailable.

[e] Claims Service officials told us their 1988 funding of $60 million is sufficient to pay anticipated claims and eliminate the payment backlog.

FISCAL YEAR 1987 MANEUVER DAMAGE CLAIMS PROCESSED

Procedure	Claims processed	Percent	Amount claimed (thousands)	U.S. share (thousands)
Scope	5,706	22	$28,603	a
Blanket-Scope[b]	6,727	26	c	$13,252
Simplified[d]	13,222	52	c	2,258
Total	25,655	100		

[a] Most claims have not been adjudicated, so the U.S. share is unknown.

[b] Blanket-scope procedures are used to process claims from large U.S. and multinational maneuvers, except for large claims generally exceeding $58,825.

[c] The amount claimed could not be determined from the Claims Service records.

[d] Simplified procedures are used to process small damage claims under $1,765, except for road damage claims.

FISCAL YEAR 1987 CLAIMS PROCESSED UNDER SCOPE PROCEDURES

Claim type	Claims processed Number	Claims processed Percent	Total claimed[a] (thousands)	Percent	Average
Road (including forest roads and curbstones)	4,717	83	$26,216	91.6	$5,558
Field (cultivated and uncultivated)	461	8	1,056	3.7	2,291
Forest	116	2	569	2.0	4,905
Boundary Stone	113	2	243	.9	2,150
Government (federal or state property other than road damage)	78	1	169	.6	2,167
Private Property	221	4	350	1.2	1,584
Total	5,706	100	$28,603	100.0	$5,013

[a] Not all claimed amounts are included because some notices are received without the amount stated.

Senator DIXON. I want to thank you very much, Mr. Kelley, for your conciseness and your brevity. We appreciate that.

We will ask you some questions as soon as we have heard from Mr. Hunts.

Mr. HUNTS. I have no statement for you this afternoon.

Senator DIXON. Let me just ask you this in the first instance, and some of the questions that I am asking you come from a lack of understanding on how this is all done. I hope you understand that. I am trying to enlarge my understanding of how it is done.

PAYING FOR DAMAGE

Nobody would quarrel with the fact that we ought to compensate for damage that we do over there. You know, that is other people's land, obviously, and if we damage it, we ought to pay.

In the first place, are we the only one paying? I get the impression that others contribute. Is that right?

Mr. KELLEY. Yes, sir.

The other sending states, the other members of the forces in Germany also participate in this program, and they have the same kind of arrangement with the German Defense Cost Office as we do.

Senator DIXON. Then any other NATO allies who are there that do damage also pay.

Mr. KELLEY. Absolutely.

Senator DIXON. Is it predicated on who did the damage as to who pays?

Mr. KELLEY. Yes, sir.

Senator DIXON. If a U.S. tank does damage, the United States pays?

Mr. KELLEY. Yes, sir.

Senator DIXON. If one of our allies does damages, they pay?

Mr. KELLEY. Yes, sir.

Senator DIXON. Do the Germans in any way contribute?

Mr. KELLEY. Yes, sir. They have the same program that we are faced with. If they cause damage, they have to make payments.

Senator DIXON. All right, with respect to what damage they cause, is that right?

Mr. KELLEY. Yes, sir.

Senator DIXON. Then, when a determination is made of the damage, who makes that determination?

Do I get the correct impression that Germans make that determination?

Mr. KELLEY. Yes, sir.

It's made basically by Defense Cost Office officials, who have the responsibility to go out and examine a claim, inspect the area damaged, and decide on the compensation to be paid.

Senator DIXON. That's a German agency that makes the determination?

Mr. KELLEY. Yes, sir.

Senator DIXON. Do we have any right of appeal from that kind of determination in the event that we don't agree with it?

Mr. KELLEY. In certain claims, depending on the size of the claim, we can get the information and examine the claim and decide whether we think it is right or not.

Senator DIXON. Do we ever?

Mr. KELLEY. Yes, sir.

Senator DIXON. Have we ever? We have declined to pay some because we don't think it is right?

Mr. KELLEY. Well, we provide the information to the DCO if we feel there is a problem.

Senator DIXON. I am being interrupted, I'm sorry. Believe it or not, I'm in a conference between the two Houses on some other issues here and I have to take a phone call. Excuse me, and I'm sorry for the interruption.

[Pause.]

Senator DIXON. Back on the record, and I'm sorry for the interruption.

In other words, let me try to make myself clear on this, Mr. Kelley.

I'm an old trial lawyer, before I got into this business, and, first of all, it occurs to me that there is a degree of parochialism that can be involved in the German Government determining the validity and the amount of a claim. You know, I am not in here to do any German-bashing. If it were the other way around and it was a politician in America determining a claim made by an American for damage to the American's property by a German, I would say the same thing. So, we understand where I'm coming from.

My only question here is do we sometimes refuse to pay, and, if we refuse to pay, is there an appeal from that, or what happens?

Mr. KELLEY. Basically, we provide the information to the DCO office who in turn refuse to pay if warranted.

Senator DIXON. What's DCO again?

Mr. KELLEY. The Defense Cost Office, the German office that runs the program.

I think the DCO's have an incentive to refuse payment because they have to pay 25 percent of the damage we cause. We pay 75 percent of the cost and the Germans pay 25 percent of the cost.

Senator DIXON. Do they always, in every claim, pay 25 percent?

Mr. KELLEY. Yes, sir.

Senator DIXON. So, that would be your theory, your argument, in other words, would be that there is, therefore, a reason for the German official to hold it down as much as he can, because his government pays a fourth of it.

Is that your point?

Mr. KELLEY. Yes, sir, that's the point.

Senator DIXON. All right. I will think about that. That has some appeal.

CHECKING OUT CLAIMS

Now, beyond that, what we were saying here last year—and I am glad to have your report—is that you ought to at least go out and look once in a while. You know, I'm an old trial lawyer and the insurance agents like to come and look at the damage before they pay.

I thought you said somewhere in here that you had some kind of much better result in your statement—was it 25 percent, as compared to 85 percent? Here it is: As a result, the DCO has paid only about 25 percent of the amount claimed for the 90 claims that had been settled as of October, 1987. This is a significantly lower rate than the overall average of 85 percent paid for claims processed in 1986.

Mr. KELLEY. Yes, sir.

Senator DIXON. Is there reason to extrapolate those figures and believe that that is realistic, that you are making those kinds of savings?

Mr. KELLEY. Well, I think there are a lot of things that you have to take into consideration. Whether or not the claims through the rest of the country—and this was just in one county—whether the claims in the rest of the country would be representative of the claims that were examined in that test.

Another thing that I think is important is whether or not the inspectors look at the claims in the same way that the inspector did in this test. He was fairly aggressive. He asked questions. He challenged people.

Senator DIXON. Well, that's his job, isn't it? I'm pleased to hear that. I hope all of them are that way.

Mr. KELLEY. In the test case, that is what happened.

I'm saying that those kind of variables would have to be replicated, to achieve that level of savings.

Senator DIXON. Well, I presume that those people who make those claims—I don't know this—but I would imagine some are represented by lawyers and so forth?

Mr. KELLEY. Occasionally, yes.

Senator DIXON. Over there in Germany?

Mr. KELLEY. Yes.

Senator DIXON. If I owned a farm in Germany and there were a lot of damage done to it, I might go to my local lawyer.

I think the point is that we want to treat this—you know, I don't want to imply that we want to be mean about it; but I would hope we would be advocate of the United States of America's point of view, trying to save the taxpayers of American dollars in this. Isn't that the job that we are trying to perform here?

Mr. KELLEY. Yes, sir.

Senator DIXON. I mean, we don't want to offend an ally. But I think we don't want to pay any unfair claims, distorted claims, inflated claims, or unreasonable claims. That is the point.

Mr. KELLEY. Yes, sir.

Senator DIXON. Let me ask you this, Mr. Kelley.

Have you folks made recommendations to our people over there as to how to proceed? For instance, the thought occurs to me that on these claims, there ought to be some threshold of dollars.

For example, an insurance company is not going to send an agent out and pay him the expense to be out there all day to settle a $200 claim if it looks legitimate. You know, they'd probably just pay the $200. Is that right?

Mr. KELLEY. Yes, sir.

Senator DIXON. Now, I don't know what the threshold ought to be in Germany, but I suspect that a lot of these things ought to be done by just looking at it, and if it looks okay on paper and the amount is sufficiently small, so you pay. And then it looks to me that when the amount gets big enough or you can see something there that looks out of line or something that looks suspicious, then you ought to go and look.

Are we following that kind of logic in this?

Mr. KELLEY. Yes sir. One of the things that we think they should do is to put more emphasis on verifying high cost road damage claims. This seems to be an area where they have most of the problems, and where most of the higher costs are generally involved. I think they should develop some criteria to decide which claims they want to look at, such as the high cost road damage claims.

Senator DIXON. Now, in addition to that—and I don't want this to be received in any manner other than the way I intended. I am not trying to be argumentative or difficult. We have a JAG staff over there in Germany, don't we, a legal staff and all?

Mr. KELLEY. Yes, sir.

Senator DIXON. Do some of those people get involved in this stuff and try to help?

Mr. KELLEY. As we say in our statement, there have been some cases where they have gone out on inspections. But it was not on a systematic basis, and I think that is the point that we are making.

Senator DIXON. Well, I don't want to be offensive, but every time I see a report, it says that we are going to hire some people to do it, and it says five people here, and I don't have any quarrel with five people. But the only point I'm trying to make is I think in some of these cases, we already have some people there, and I don't mean to imply that they don't have anything to do, but there isn't too much hesitancy around here to give us extra jobs. It just occurs to me that maybe some people over there could be usefully employed in this process as well.

You know, I think it is a useful thing to make sure that the damage claims are fair and that they are not inflating them out, so that we can save money.

Mr. KELLEY. I can say that one of the things USAREUR is trying to do is to use some of its people in operating units to verify claims on a part-time basis. There is some cost there.

Senator DIXON. I'm glad to hear that.

I want to say that your report is very useful. This Senator and the subcommittee think so, and I am sure I will speak for the whole committee, and I'll take time to make some remarks on the floor about this, I want you to know that.

Mr. KELLEY. Thank you.

Senator DIXON. We appreciate your response to these things.

You know, if we looked more closely at all of these things, my old, respected predecessor, Senator Everett McKinley Dirksen used to say a billion here and a billion there, pretty soon you're talking about some real money.

If we could kind of address ourselves to these issues from time to time and see where we can save a little here and there, it might help.

I thank you.

Mr. Hunts, do you have anything to contribute to this?

Mr. HUNTS. No, sir. I have nothing to add.

Senator DIXON. You'll go a long way in this business, Mr. Hunts. [General laughter.]

I want to thank you both.

There may be other questions from members of the committee and, if there are, I am sure you will be kind enough to answer them in writing. It may be that my staff will have others.

If that is the case, I would appreciate your answering those as well.

Thank you very, very much.

I appreciate very much your courtesy.

Mr. KELLEY. Thank you, sir.

Senator DIXON. Ladies and gentlemen, our second panel of witnesses from the Army has been invited specifically to provide the Army's response to GAO's testimony. The subcommittee made sure that the Army witnesses had the GAO testimony in advance, so they would be fully prepared to respond to GAO's recommendations.

We are delighted to welcome Maj. Gen. William K. Suter, the Deputy Judge Advocate General of the Army, and Col. Thomas P. DeBerry, the Commander of the U.S. Army Claims Service in Europe.

Gentlemen, we welcome you to this subcommittee this afternoon. Your prepared statements will be entered into the record in full.

General Suter, we are delighted to have your remarks. If possible, if you could, put your prepared text into the record and make whatever remarks you would care to make. We would appreciate that.

STATEMENT OF MAJ. GEN. WILLIAM K. SUTER, USA, ASSISTANT JUDGE ADVOCATE GENERAL OF THE ARMY, U.S. ARMY, ACCOMPANIED BY COL. THOMAS P. DeBERRY, USA, COMMANDER, U.S. ARMY CLAIMS SERVICE, EUROPE

General **Suter**. Thank you very much, Mr. Chairman.

I am Maj. Gen. Bill Suter, the Assistant Judge Advocate General of the Army, and I do have prepared remarks and do request that they be inserted into the record.

I will briefly summarize those in about 4 minutes.

Senator **Dixon**. General, it may be just as easy to stop you now and let this Senator go and vote because we are in regular order nowadays, and I just missed one yesterday because I waited until just to close to the end of the time.

If you will excuse me, I will be right back. Have a cup of coffee, if you wish.

[A brief recess was taken.]

Senator **Dixon**. The subcommittee will come to order.

We were hearing from you, General Suter, and we will go back to you. I apologize for the delay.

General **Suter**. Thank you, Mr. Chairman.

I think it's important to point out, first of all, that, generally, we agree with the GAO findings, particularly the conclusions concerning on-site verifications, that those verifications will take increased personnel involvement by the U.S. Army.

We are a little concerned about the statement concerning how much money, a definitive dollar amount, can be saved.

In talking about savings in an area like this, by increased, on-site verification, we have to remember that many other factors are involved. Some money could be saved. But some of these factors involve the exchange rate that is the number of exercises we conduct, the weather conditions, and the type of exercises involved.

Now, several actions have been taken by the Army and will continue to be taken in this regard. Foremost, we will continue to work with the German Defense Costs Office and encourage them to improve their own on-site verifications.

The German Government and the U.S. Government share an interest in reducing these claims and paying only those amounts which should be paid. As has been pointed out by the General Accounting Office, we pay 75 percent and the Germans pay 25 percent. So, they have an interest in this and, of course, this is all covered by international agreement.

Second, the Army has taken steps to augment the U.S. Army Claims Service, Europe, which Colonel DeBerry commands. We have the authority now, in part based on the General Accounting Office report—it has been approved by the Commander in Europe—to hire five more people, which we really need, civilians, to work in the Claims Service and in two other places. One will be a engineer, and we think we are really going to get our money's worth out of this. They will assist with the on-site verification.

So, the GAO report, requested by you and done by these fine gentlemen, has helped us. We are glad that this has happened.

This will help us verify claims.

There are two important points here, sir. One is verification. Did we do it? Or did another country's forces do it? Who did it?

Second is the adjudication. As a country lawyer, as you said and as you know, that is where the money is, although, strangely enough, the Germans rarely have a lawyer involved in this. They come and they make their claim to the Defense Costs Office and assume that the bureaucracy will take care of it. Basically, the Germans are very honest people.

So, there is not much lawyer involvement at all. In fact, none at that level.

Senator **Dixon**. That's interesting.

General **Suter**. Third, we are really going to get our money's worth out of the individuals who are there in the units. We have individuals, mostly civilians, about 30 of them, who are assigned to the maneuver units. These people have many jobs—community relations, premaneuver negotiations with the "Forstmeister", with the cities, with the people, to let them know we are coming and to make the arrangements on the maneuvers.

We need to get on them, and we are doing it now, to go back out to these sites do an assessment of how much damage was done and who did it.

Fourth, the reduction of damage is something that we continue to stress with our troops as a part of our training. We continually train our troops, especially the drivers and the commanders of the tracked vehicles. That is where the greatest amount of damage is.

We encourage them and train them: avoid maneuver damage; when you do it, go out there and check it; make it a part of the report, so that we can then find the damage and determine if we did it and how much we owe the people.

As you pointed out, it is only just to pay the individual if we did the damage. But we should not be paying too much, and we agree with that.

In conclusion, we must state that this is a big business. We can do better. We think we are going to do better right now. Again, I must point out, it's partly as a result of what the GAO has done for us over there. Really, they were a big help to us.

As you pointed out, though, if we want realism in our maneuvers, we cannot hide in the Kaserne day and night. We have to get out and maneuver. But we should be careful as we do it. We should have inspections and only pay the amount that must be paid.

I would, sir, with your permission, like to comment on several matters that came up as the GAO witnesses gave their testimony, to make sure that I understand what you understand.

I think they were totally accurate in what they said.

One point that you mentioned was land damage. These maneuver damage claims also cover damage to personal property and personal injury.

Senator **Dixon**. Yes, I understand that.

General SUTER. So, there are things here other than roads, crops, and trees.

For instance, this morning I heard the tragic news on the radio that an Air Force jet had crashed. I know of no more details. But that will involve, through Colonel DeBerry's office, claims for personal injury and for realty. I hope there are no personnel deaths. I just don't know the details of that.

Second, we speak of claims here as if they are a single event, like an automobile accident. Sir, there were about 1,600 maneuvers this year in Germany and maybe 30,000 claims.

Let me just give an example, perhaps, of a road going from Point A to Point B, covered with snow and ice. Over a two-month period, our tanks are rolling up and down that road, and maybe some British tanks. When springtime comes and we have the thaw, we find out that there is extensive damage to that road.

So, you don't have an event, where Colonel DeBerry's people can get out there and take pictures. Though they take pictures to see if, in fact, the damage was caused by tracked vehicles. It may have been caused by a logging truck. But it is not the exact science of what we here would call a tort case, where you have an accident.

You asked the question about simplified claims, in other words, the ones that aren't worth looking into.

Yes, sir. For those type claims, especially for crop damage, that are under 3,000 marks—that is about $1,600—we rely on the Germans—the good faith of the claimant and the good faith of the German Government—in adjudicating those claims.

Senator DIXON. I don't have any problem with that.

General SUTER. Now, we do, as you pointed out, have threshold claims, others where the red flag goes up. We have to go and look at that claim. Such as road damage, or a claim in excess of 100,000 marks; those from certain areas where we might have some concern like where this test was done. That was not done at random. That place was picked because maybe there were some claims coming out of there that bore greater scrutiny.

Senator DIXON. General, if you would, please excuse me. I am so embarrassed. I must answer this telephone call because I am voting in another conference.

Please excuse me.

[Pause.]

Senator DIXON. Go ahead, General, and I am sorry.

General SUTER. Yes, sir.

CLOSER LOOK AT CLAIMS

The threshold question was a good one, and we are doing that. In fact, Colonel DeBerry just reminded me that we have decreased the 100,000 marks threshold, we are down, with the increased people, to 25,000 marks. We are looking at those claims.

In other words, we have our selected cases. We are going to look at damage a lot closer, to verify it and make sure that we did it, and to make sure that the amount claimed, which can be quite different from the amount paid, is proper. We want to make sure that we are paying the right amount.

The last point was that there are some instances where the claim is sent from the Defense Costs Office, the German office, to Colonel DeBarry's office, and we simply say that we were not involved, that we did not do the damage.

So, you asked the question to the General Accounting Office gentleman——

Senator **Dixon**. What happens then?

General **Suter**. That's the end.

There is a process in the law, in the international agreement, where they could take that to arbitration. But it's just not done. If we say we weren't there, that is the end of it.

We get along very well with the Defense Costs Office.

Again, there are other claims where we are never positive. The road damage claims are the big ones.

[The prepared statement of General Suter follows:]

STATEMENT BY

MG WILLIAM K. SUTER

THE ASSISTANT JUDGE ADVOCATE GENERAL OF THE ARMY

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I AM MAJOR GENERAL BILL SUTER, THE ASSISTANT JUDGE ADVOCATE GENERAL OF THE ARMY. I AM CHARGED WITH TECHNICAL SUPERVISION OF THE ARMY CLAIMS SERVICE. I APPRECIATE THIS OPPORTUNITY TO APPEAR HERE TODAY AS YOU REVIEW MANEUVER DAMAGE CLAIMS PROCESSING IN THE FEDERAL REPUBLIC OF GERMANY.

WITH ME TODAY IS COLONEL THOMAS P. DEBERRY, THE COMMANDER OF THE U.S. ARMY CLAIMS SERVICE, EUROPE.

PART OF THE MISSION OF THE ARMY CLAIMS SERVICE IS TO PROCESS MANEUVER DAMAGE CLAIMS. THE US ARMY CLAIMS SERVICE, EUROPE LOCATED IN MANNHEIM, GERMANY, IS CHARGED WITH PROCESSING MANEUVER DAMAGE CLAIMS THAT OCCUR IN THE FEDERAL REPUBLIC OF GERMANY.

TWO FUNDAMENTALS UNDERLIE THE MANEUVER DAMAGE CLAIMS SYSTEM IN THE ARMY. FIRST, TRAINING IS THE KEY TO ENSURING OPERATIONAL READINESS IN TODAY'S ARMY. IN EUROPE, THIS MEANS TRAINING OUTSIDE THE EXISTING TRAINING AREAS. THE FEW TRAINING AREAS ARE INADEQUATE FOR LARGE SCALE MANEUVERS. IN FACT, THE CURRENT TRAINING AREAS AVAILABLE TO US IN ALL OF GERMANY COULD EASILY FIT INSIDE THE CONFINES OF FORT HOOD, TEXAS. OBVIOUSLY, WHEN WE TRAIN OUTSIDE THE INSTALLATIONS THERE IS GOING TO BE SOME DAMAGE TO THE ROADS AND THE COUNTRYSIDE, AND WE MUST PAY A PORTION OF THE COST OF THE DAMAGE. I SHOULD EMPHASIZE

THAT WE PAY NOTHING FOR THE USE OF THE LAND, WHETHER PUBLIC OR PRIVATE. FAILURE TO PAY OUR SHARE OF THE LEGITIMATE COSTS OF MANEUVERS WILL, IN THE LONG RUN, INHIBIT OUR ABILITY TO TRAIN IN THE AREA WHERE WE WOULD MOST LIKELY HAVE TO FIGHT. IN SHORT, REALISTIC TRAINING BY SUBSTANTIAL NUMBERS OF TROOPS IN A SMALL, DENSELY POPULATED AND HIGHLY DEVELOPED COUNTRY IS EXPENSIVE.

THE SECOND FUNDAMENTAL IS THAT IN NATO COUNTRIES THE RECEIVING STATE -- IN THIS CASE GERMANY -- PAYS 25% OF THE COSTS OF DAMAGE DONE BY THE SENDING STATE'S FORCES DURING MANEUVERS. THIS COST-SHARING PROCEDURE IS SET OUT IN THE NATO STATUS OF FORCES AGREEMENT. THE IDEA BEHIND THIS 25% PAYMENT PROVISION WAS TO CREATE AN INCENTIVE FOR THE RECEIVING STATE TO KEEP DOWN THE COSTS OF SUCH CLAIMS. GERMANY ACCEPTED THIS PROCEDURE WHEN IT JOINED NATO IN 1959. IN GERMANY WE HAVE TWO OTHER INTERNATIONAL AGREEMENTS WHICH ACTUALLY SET OUT THE PROCEDURES FOR PAYMENT OF CLAIMS. THE GERMAN DEFENSE COSTS OFFICES HAVE THE EXCLUSIVE RIGHT TO RECEIVE, ADJUDICATE, AND PAY MANEUVER DAMAGE CLAIMS AS WELL AS SEEK REIMBURSEMENT FROM THE SENDING STATE. THE SENDING STATE THEN REIMBURSES GERMANY FOR 75% OF THE AMOUNT PAID. TO ACCOMPLISH THIS GERMANY MAINTAINS 36 DEFENSE COSTS OFFICES WITH 621 EMPLOYEES.

MAINTAINING THE DEFENSE COSTS OFFICES ADDS $18,000,000 ANNUALLY TO GERMANY'S DEFENSE COSTS. IN ADDITION, GERMANY'S 25% SHARE OF MANEUVER DAMAGES RESULTS IN ANOTHER $11,000,000 PER YEAR. ANY CHANGE IN THE CLAIMS PROVISIONS OF THE NATO STATUS OF FORCES AGREEMENT WOULD VERY LIKELY LEAD TO A CALL FOR RENEGOTIATION OF THE ENTIRE AGREEMENT, AND THE US FORCES COULD LOSE MANY OF OUR PROTECTIONS AND IMMUNITIES.

WITH THAT BRIEF BACKGROUND ON THE MANEUVER DAMAGE CLAIMS MISSION OF THE ARMY, I WILL NOW DISCUSS THE DRAFT RESULTS OF THE RECENT GOVERNMENT ACCOUNTING OFFICE REVIEW OF THE US ARMY CLAIMS SERVICE, EUROPE THAT HAVE BEEN PREVIOUSLY BRIEFED TO ARMY REPRESENTATIVES.

GENERALLY, THE ARMY AGREES WITH THE GAO RESULTS. CERTAINLY THE MORE ON-SITE VERIFICATION, THE LESS CHANCE OF AN ERROR BEING MADE IN THE PAYMENT OF A CLAIM. AS THE GAO HAS NOTED, SUCH INCREASED VERIFICATION WILL REQUIRE AN INCREASE IN PERSONNEL. CURRENTLY, FIVE ADDITIONAL PERSONNEL ARE BEING ASSIGNED TO THE US ARMY CLAIMS SERVICE, EUROPE TO WORK SPECIFICALLY ON MANEUVER DAMAGE CLAIMS. ONE OF THESE IS AN ENGINEER WHO WILL ASSIST IN EVALUATING COSTS OF REPAIRS CLAIMED. ADDITIONALLY, THE CLAIMS SERVICE WAS RELIEVED OF THE PROJECTED LOSS OF FOUR EMPLOYEES WHICH WOULD HAVE RESULTED FROM BUDGET CUTS. ALL FIVE WILL AUGMENT THE EXISTING CLAIMS VERIFICATION PROCEDURES WHICH INCLUDE, IN MOST CASES: PRE-MANEUVER INSPECTION OF THE AREA AND COORDINATION WITH LOCAL OFFICIALS; EMPHASIS ON MANEUVER DAMAGE AVOIDANCE; AND DOCUMENTATION OF SEVERE DAMAGE DONE DURING THE EXERCISE. THESE PERSONNEL ACTIONS REPRESENT A SIGNIFICANT ENHANCEMENT OF THE ABILITY OF THE U.S. TO INSPECT MANEUVER DAMAGE CLAIMS AND FULLY IMPLEMENT THE GAO REPORT. IN ADDITION, THE CLAIMS SERVICE OFTEN REQUIRES UNIT REPRESENTATIVES TO ACCOMPANY MANEUVER DAMAGE SPECIALISTS TO THE SITE OF CLAIMED DAMAGE.

BEYOND THE MERE EXPENSE OF HIRING ADDITIONAL PERSONNEL OR DIVERTING OTHER PERSONNEL FROM THEIR NORMAL DUTIES TO WORK ON VERIFYING MANEUVER DAMAGE CLAIMS, THERE IS ANOTHER CONCERN. THE GERMAN PEOPLE ARE SUBJECTED TO OVER 1000

EXERCISES PER YEAR BY THE US FORCES ALONE. ANY SYSTEM THAT IS INSTALLED COULD BE VIEWED AS AN INDICATION OF DISSATISFACTION WITH OR DISTRUST OF THE GERMAN PEOPLE OR THE GERMAN GOVERNMENT AND MIGHT AFFECT THE ARMY'S OVERALL RELATIONS WITH THE FEDERAL REPUBLIC OF GERMANY. CONSEQUENTLY, THE ACTUAL IMPLEMENTATION OF A SYSTEM WHEREIN US GOVERNMENT EMPLOYEES MIGHT GO OUT INTO THE COUNTRYSIDE AND INTERVIEW GERMAN CITIZENS REGARDING A CLAIM THEY MADE AGAINST THE GERMAN GOVERNMENT MUST BE CAREFULLY CONSIDERED AND IMPLEMENTED IN ACCORDANCE WITH OUR EXISTING AGREEMENTS. SAVINGS EXPECTED FROM THE USE OF MORE ON-SITE VERIFICATION AS INDICATED BY THE GAO MAY BE SUBSTANTIAL, HOWEVER, THE ARMY BELIEVES IT IS MUCH LOWER THAN THE GAO ESTIMATES. THE ARMY HAS IMPROVED ITS VERIFICATION PROCEDURES SINCE THE FIRST GAO REVIEW WAS DONE IN 1980. GAO RECOMMENDED AT THE TIME THAT THE ARMY EMPLOY ENGINEERS TO CONDUCT ON-SITE VERIFICATION AND THAT DATA PROCESSING EQUIPMENT BE USED IN MANNHEIM TO TRACK CLAIMS.

THE ARMY RESPONDED TO THESE RECOMMENDATIONS WITH INCREASED EMPHASIS ON THE MANEUVER DAMAGE PREVENTION PROGRAM AND BY ACQUIRING THE NEEDED ADP EQUIPMENT. PREVENTION OF DAMAGE DURING AN EXERCISE IS OBVIOUSLY BETTER THAN PAYING AFTER THE EXERCISE. IN 1980 US ARMY, EUROPE ESTABLISHED MANEUVER DAMAGE PREVENTION AS AN IMPORTANT PART OF EXERCISES AND PLACED IT ON THE SAME LEVEL AS TRAINING REALISM AND SAFETY. MANAGING COMMANDS WERE CREATED WITH GEOGRAPHIC AREAS OF RESPONSIBILITY FOR THE COORDINATION OF MANEUVERS AND DOCUMENTATION OF DAMAGE. FULL-TIME MANEUVER DAMAGE OFFICERS WERE DESIGNATED. IN 1983 FULL-TIME MANEUVER DAMAGE SPECIALIST POSITIONS WERE ESTABLISHED, AND A TRAINING VIDEO AND A STANDARD MANEUVER DAMAGE TRAINING PACKAGE WERE

CREATED. IN 1986 A TEST OF CLAIMS IN THE V CORPS AREA INCLUDED ON-SITE VERIFICATION. THAT TEST DEMONSTRATED THE NEED FOR MORE PERSONNEL AND ADDITIONAL ADP EQUIPMENT. THE ARMY HAS INCREASED THE ROLE OF THE UNIT IN POST-MANEUVER DAMAGE ASSESSMENT AND HAS EXPERIMENTED WITH THE USE OF ENGINEERS TO EVALUATE DAMAGE DURING AN EXERCISE. IN JANUARY 1987, USAREUR RECOGNIZED THE NEED FOR A FULL STUDY OF THE MANEUVER DAMAGE SYSTEM. THIS WAS COMPLETED IN NOVEMBER 1987 AND IS THE IMPETUS BEHIND THE ADDITIONAL PERSONNEL IN THE CLAIMS OFFICE IN MANNHEIM. THESE STEPS, AND OTHERS, WERE UNDERTAKEN BECAUSE THEY COULD BE IMPLEMENTED AT RELATIVELY LITTLE COST TO THE ARMY AND AT THE SAME TIME INCREASE THE MANEUVER UNITS' AWARENESS OF THE PROBLEM.

IN THIS REGARD, A 1987 ARTICLE IN THE "NEW REPUBLIC" BY ARTHUR T. HADLEY MENTIONED THE EFFECT OF SUCH AVOIDANCE OF MANEUVER DAMAGE IN EXERCISE "CERTAIN STRIKE", A NATO EXERCISE CONDUCTED IN SEPTEMBER 1987. THE AUTHOR WRITES:

> SUCH IMPROVEMENTS HAVE LED TO A NEW WELCOME FOR AMERICAN TROOPS IN GERMANY. THIS IS PARTICULARLY IMPORTANT IN 1987, WHEN IN CERTAIN QUARTERS THE INF AGREEMENT HAS RAISED FEARS THAT THE US RESOLVE TO DEFEND EUROPE MAY BE WEAKENING. NO LONGER ARE FARMERS WAVING THEIR PITCHFORKS AT AMERICAN TANKS THAT HAVE DRIVEN OVER THEIR SUGAR BEETS, NOR WOMEN RUSHING INDOORS WHEN AMERICAN SOLDIERS DRIVE THROUGH THEIR SMALL TOWNS.

WE BELIEVE THAT THE US HAS THE BEST PROGRAM ON MANEUVER DAMAGE PREVENTION OF ALL THE NATO SENDING STATES IN GERMANY.

DURING THE PERIOD 1980-1987, THE US ARMY CLAIMS SERVICE, EUROPE CONTINUED TO IMPROVE ITS OPERATIONS. THE NEEDED ADP EQUIPMENT WAS PROCURED AND THE NECESSARY PROGRAMS WERE WRITTEN TO IMPROVE THE ABILITY TO TRACK CLAIMS. THIS HELPED ENSURE AGAINST PAYING

FOR THE SAME DAMAGE TWICE. THE CLAIMS SERVICE SHIFTED PERSONNEL TO WORK ON THE MANEUVER DAMAGE CLAIMS. OF COURSE, THE CLAIMS SERVICE CONTINUED TO PERFORM ITS OTHER MISSIONS OF PAYING US PERSONNEL CLAIMS AND OF COLLECTING MONEY ON BEHALF OF THE US GOVERNMENT IN THE AFFIRMATIVE CLAIMS AREA. THE AUTOMATION PROCESS CONTINUES TODAY.

THUS, MOST OF THE CLAIMS CAN BE VERIFIED WITH EXISTING INFORMATION PROVIDED BY US PERSONNEL. ON-SITE VERIFICATION WILL HELP TO REDUCE ERRORS EVEN MORE, BUT THE PROJECTED SAVINGS MAY WELL NOT BE AS SUBSTANTIAL AS SOME BELIEVE.

ANY SAVINGS WILL DEPEND ON VARIABLE FACTORS, TO INCLUDE THE EXCHANGE RATE, THE NUMBER OF EXERCISES CONDUCTED, THE WEATHER CONDITIONS UNDER WHICH EXERCISES ARE CONDUCTED, AND THE TYPE OF EXERCISE CONDUCTED. THOSE WHO BELIEVE THAT MILLIONS OF DOLLARS COULD BE SAVED BASE THEIR OPINION ON A COMPARISON OF THE AMOUNT CLAIMED BY THE GERMAN CLAIMANT TO WHAT MIGHT ACTUALLY BE PAID AFTER ON-SITE VERIFICATION BY A US EMPLOYEE. THIS IS AN INVALID COMPARISON AS IT ELIMINATES THE CRUCIAL ROLE OF THE DEFENSE COSTS OFFICES IN ADJUDICATING THE CLAIM. THE DEFENSE COSTS OFFICES WOULD VERY LIKELY REDUCE INFLATED CLAIMS AFTER THEIR VERIFICATION PROCESS. THE GAO REPORT RELIED HEAVILY ON A TEST CONDUCTED BY THE US ARMY CLAIMS SERVICE OF 94 CLAIMS IN THE GERMAN STATE OF HESSEN IN 1986. THIS LOCATION WAS CHOSEN BECAUSE OF THE HIGH NUMBER OF MANEUVERS CONDUCTED IN THE AREA AND THE MINIMAL STAFFING OF THIS PARTICULAR DEFENSE COSTS OFFICE. THE TEST RESULTS HELPED DEVELOP AN AREA MANEUVER MANAGEMENT SYSTEM IN V CORPS WHICH ULTIMATELY BECAME THE PROTOTYPE FOR THE USAREUR-WIDE SYSTEM APPROVED IN THE USAREUR MANEUVER STUDY. OF THE 94, 46 WERE FOR DAMAGES CLEARLY CAUSED BY THE US FORCES. THESE 46 CLAIMED

DAMAGES TOTALLING $151,005. AFTER ON-SITE VERIFICATION THE AMOUNT APPROVED WAS $56,585. HOWEVER, THERE IS NO REASON TO ASSUME THAT THESE CLAIMS WOULD NOT HAVE BEEN REDUCED HAD THE VERIFICATION BEEN CONDUCTED BY THE DEFENSE COSTS OFFICES IN THE NORMAL MANNER. DURING THE TEST THE DEFENSE COSTS OFFICE'S NORMAL ADJUDICATION ROLE WAS LIMITED BY THE PRESENCE AND PARTICIPATION OF A U.S. EMPLOYEE. REMEMBER, THE GERMAN GOVERNMENT HAS TO PAY 25% OF THE AMOUNT APPROVED.

I ALSO MUST POINT OUT THAT IN THE VAST MAJORITY OF CLAIMS THE ONLY QUESTION IS THE EXTENT OF THE DAMAGE AND THE COST OF REPAIRS. THAT IS, THERE ARE VERY FEW CLAIMS FOR NONEXISTENT DAMAGE.

I THINK THESE FACTS DEMONSTRATE THE COMMITMENT OF THE ARMY TO A FAIR AND EFFICIENT CLAIMS SYSTEM WHICH ACCOMMODATES THE ARMY'S INTEREST IN REALISTIC TRAINING, THE REIMBURSEMENT OF OUR SHARE OF THE COSTS OF THAT TRAINING, AND THE INTERESTS OF THE AMERICAN TAXPAYER IN PREVENTING UNNECESSARY COSTS.

IN CONCLUSION, THE ARMY HAS NO STRONG DISAGREEMENT WITH THE GAO'S DRAFT FINDINGS EXCEPT AS REGARDS THE AMOUNT OF SAVINGS EXPECTED FROM ON-SITE VERIFICATION. I HOPE I HAVE ADEQUATELY EXPLAINED WHAT WE ARE DOING REGARDING MANEUVER DAMAGE IN GERMANY. I HAVE INCLUDED AS ENCLOSURES MORE DETAILED INFORMATION ON SELECTED AREAS FOR YOUR CONSIDERATION.

I APPRECIATE THE OPPORTUNITY OF APPEARING BEFORE THE COMMITTEE. COLONEL DEBERRY AND I WILL ANSWER ANY QUESTIONS YOU HAVE.

Enclosure 1

US ARMY CLAIMS SERVICE, EUROPE'S ROLE IN THE MANEUVER DAMAGE CLAIMS PROCESS

This enclosure presents a general overview of the role of US Army Claims Service, Europe in the maneuver damage claims process. It should be noted that while these procedures apply to the majority of claims, there are different procedures for small agricultural or forest damage claims under DM 3000 and for claims arising from multi-national exercises.

1. Maneuver Rights.

a. Prior to conducting any field exercise, the unit involved must request a maneuver right from US Army, Europe (USAREUR). After review by the Office of the Deputy Chief of Staff for Host Nation Activities (ODCSHNA), a maneuver right number is issued to the requesting unit and US Army Claims Service, Europe is notified in writing.

b. After receipt of this notice, a caseworker logs the maneuver right into a computer program. Information recorded includes: the name of the exercise, maneuver right number, period covered, requesting unit, higher commands, number and types of personnel, vehicles and aircraft involved, districts covered and the date that the Master Maneuver Damage Report (MMDR) will be due from the unit.

2. Master Maneuver Damage Reports.

a. Under USAREUR Regulation 350-22, the maneuvering unit must submit a Master Maneuver Damage Report to USAREUR within 15 days of the end of the exercise. A copy of this report with a list of all known damages and an overlay of the maneuver area is forwarded to US Army Claims Service, Europe, by ODCSHNA.

b. Caseworkers take this information and file it in a potential claims file. The maneuver area is also plotted on a map. Potential claims are arranged according to the month during which the exercise was conducted.

c. Even if the maneuver right number was not used, or the MMDR reported no damage, files are retained for a period of two years in case claims are filed.

d. ODCSHNA is responsible for reminding the units to submit reports and monitoring a suspense system to ensure that reports are received for all maneuver rights issued.

3. Claimants.

a. Claims arising from maneuver damage are filed with a local Defense Costs Office by the person or instrumentality suffering damage. Claimants may be private individuals, organizations, communities or governmental agencies.

b. Claimants usually have a period of 3 months from the date of discovery of the maneuver damage in which to file a claim. This limit is imposed by the Defense Costs Offices by statute and applies to all claimants except the German government. The US statute of limitations on such claims would ordinarily be two years.

c. Depending on the value of the claim, the nature of the damage and the particular procedures required by the Defense Costs Office, claimants will have to provide documentation, pictures or other evidence of the damage and any repair costs if applicable.

4. Certification.

a. After reviewing the claim, all claims in excess of the simplified procedure limit of DM 3000 and all road damage claims or claims by a federal governmental agency are forwarded to US Army Claims Service, Europe for certification. This process is specifically provided for in the NATO SOFA and the implementing Administrative Agreements.

b. US Army Claims Service, Europe reviews the claim, any information available from the maneuver right number and any information contained in the Master Maneuver Damage Report to arrive at its certification decision. In those cases where no information is readily available, US Army Claims Service, Europe contacts the unit directly to provide information about the claim.

c. US Army claims Service, Europe certification may take one of the several forms listed below.

(1) "Scope" - Meaning that US forces were probably involved in creating the maneuver damage. This decision is based on specific reported damage by the unit or the fact that the unit maneuvered in the area during the time the damage is alleged to have happened. This certification does not mean that the US admits liability for the damage or the validity of the claim, only that its forces were likely involved.

(2) "Scope Exceptional" - Meaning that US forces were probably involved in creating the maneuver damage, but that US Army Claims Service, Europe is interested in reviewing any determination of liability or quantum of damages prior to payment to the claimant. Usually the Defense Costs Office will then forward its complete file to US Army Claims Service, Europe. This certification process substantially delays final settlement and may increase the amount of interest due a claimant.

(3) "Not Involved" - Meaning that investigation has not established that US forces were involved in creating the maneuver damage. US Army Claims Service, Europe takes the position that Defense Costs Offices and German Courts are powerless to adjudicate a claim that has received this certification. In the event of a disagreement with the DCO concerning involvement, the NATO SOFA provides that the issue be decided by arbitration.

(4) "Non Scope" - Meaning that US personnel caused the damage but were not acting within the scope of their official duties. These claims will usually be considered by a Foreign Claims Commission under the Foreign Claims Act (10 U.S.C. S 2734).

d. After US certification, Defense Costs Offices adjudicate both liability and quantum of damages and make direct payment to the claimant from their own funds. In some cases, advance payments are made to preclude the running of interest.

5. Reimbursement.

a. After payment of the claimant, Defense Costs Offices seek reimbursement from the US by sending schedules to US Army Claims Service, Europe. These schedules are processed by an accounting section which determines accuracy of calculations, verifies certification and prepares a payment voucher. All simplified procedure schedules are also verified to ensure that damages occurred during a maneuver.

b. Reimbursement to the Federal Republic of Germany through the Defense Costs Offices is usually 75% of the amount finally adjudicated. This percentage may differ depending on the number of nations who could have caused the damage.

Enclosure 2

THE ROLE OF THE DEFENSE COSTS OFFICES IN THE MANEUVER DAMAGE CLAIMS PROCESS

1. Overview.

The Amter fuer Verteidigungslasten (Defense Costs Offices [DCOs]) are the German administrative agencies vested with the authority to process maneuver damage claims filed against the United States in the Federal Republic of Germany (FRG). There are 36 such offices throughout Germany. Their primary responsibilities are the processing of all NATO SOFA claims and the administration of payroll and labor litigation matters for local nationals employed by the Sending States. The DCOs are under the control and supervision of the German Federal Ministry of Finance. A request for a certificate indicating whether the U.S. forces were performing official duties at the time the damages occurred is submitted with the notice of claim to the Claims Service in Mannheim. A certificate of involvement is issued when U.S. forces were performing official duties. Information and evidence gathered by US Army Claims Service, Europe accompanys the certificate of involvement and is considered, along with independently gathered evidence, when the DCO adjudicates the claim. If U.S. forces were not performing official duties, a certificate of non-involvement is issued and no liability can be assessed against the U.S.

2. Claimants.

The maneuver damage claims process is initiated by the claimant. The claimant files with the DCO under the regular procedure, or with a local community official under the simplified procedure. The simplified procedure cannot be applied to road damage claims filed by governmental entities or to claims over DM 3000.

3. Simplified Procedure.

Under the simplified procedure, claimants fill out their claims forms and present them to their local community officials within a month after the exercise. The DCO is then notified and DCO personnel go to the community. DCO caseworkers, usually accompanied by forestry and agricultural experts, investigate all claims. If it is determined that the damages were caused by the exercising force, efforts are made to assess the damages and negotiate a settlement.

4. Certification.

The DCOs must submit a notice of the claim to the U.S. Army Claims Service, Europe (USACSEUR) for claims processed under the regular procedure. In many of these cases the claimant does not specify an amount of damages and US Army Claims Service, Europe is first notified of the amount claimed after DCO personnel, together with experts, have assessed the damages. A request for a certificate indicating whether the U.S. forces were performing official duties at the time the damages occurred is submitted with the notice of claim. A certificate of involvement is issued when U.S. forces were performing official duties. Information and evidence gathered by US Army Claims Service, Europe accompany the certificate of involvement and are considered, along with independently gathered evidence, when adjudicating the claim. If U.S. forces were not performing official duties, a certificate of non-involvement is issued and no liability can be assessed against the U.S.

5. Representative of Financial Interest.

Since the Federal Republic has to bear a percentage (usually 25 percent) of all awards made to claimants, a representative of the financial interest of the FRG must participate in the inspection and adjudication of all high value claims. There is one such representative in each of the states and he must also review all claims filed by governmental entities where the proposed settlement exceeds DM 10,000.

6. Exceptional Cases.

In cases of particular interest to the U.S. Forces, the certificate of involvement given to the DCO is qualified as "exceptional". This means that the DCO's file, including the proposed settlement, is submitted to USACSEUR for review prior to negotiating a final settlement. Claims filed on behalf of the German federal government are always treated as scope exceptional.

7. Litigation.

In all cases where a settlement agreement between the DCO and the claimant cannot be reached, the claim is referred to the German Assessing Authority. The Assessing Authority is empowered to render a decision to settle the claim. In the event the claimant does not accept the amount awarded, he can initiate litigation against the FRG in German courts. The DCO represents the U.S. interest in the litigation by using contracted German attorneys.

8. Reimbursement.

The DCO is responsible for paying the claimant once an award is made. Following payment, the DCO submits a reimbursement schedule to the U.S. for its share (usually 75 percent) of the claim.

Enclosure 3

THE ROLE OF THE UNIT IN THE MANEUVER DAMAGE PROCESS

1. THE USAREUR MANEUVER SYSTEM.

a. The principal governing regulation for the maneuver system is USAREUR Regulation 350-22. The current edition will be rewritten to incorporate changes stemming from the recent USAREUR maneuver study, however, it remains in effect until publication of the new regulation. This enclosure incorporates the recommendations of that study.

b. The USAREUR maneuver system as it affects an individual unit consists of the following components:

- Maneuver requirements
- Maneuver planning
- Maneuver rights administration
- Pre-maneuver activities
- The maneuver exercise
- Post-maneuver activities

The subparagraphs below briefly address each of these components, describing the actions required and listing the considerations important to each. Every maneuver company/battery/troop and battalion/squadron is required to appoint on orders a Maneuver Damage Control Officer (MDCO) who will become familiar with the applicable regulations. Recognizing that this is an additional duty, MDCOs are not expected to become maneuver management experts; the bilingual civilian maneuver management specialist (MMS) at brigade level and the maneuver management officer (MMO) at division level exist for that purpose. However, MDCOs are expected to perform all of the maneuver management actions required of their organization. MMSs and MMOs will assist in the performance of these duties and will enforce compliance with the maneuver system described below.

(1) Maneuver requirements. Minimum maneuver training requirements are set forth in USAREUR Regulation 350-1. Because maneuver organizations are not allotted very much time at the major training areas (MTAs) and local training areas (LTAs) are often too small or lack the proper terrain for mounted maneuver, off-post maneuver exercises are an extremely valuable resource. Such exercises can be used to prepare for external evaluations or major training area densities, to become familiar with the general defense plan positions or simply to enhance or sustain maneuver capability or other collective training skills. Because off-post maneuver is such a valuable training resource

it should be treated as such. Off-post maneuver exercises should not be placed at random intervals on the annual training calendar, but programmed to meet specific training objectives which can only be satisfied by such an exercise. The Battalion Training Management System (BTMS) is an excellent tool for identifying long-range organizational training objectives and programming resources to meet those objectives. BTMS also allows exercises to be planned well in advance of the lead times established by the regulation for submission of maneuver rights requests.

(2) Maneuver planning. A number of factors impact on exercise planning. Among these are:

- Location of the maneuver area
- Size of the maneuver area
- Political boundaries in the maneuver area
- Restricted zones in the maneuver area
- Agricultural growing season
- Likely meteorological and ground conditions

The distance between garrison and the maneuver area is an important consideration in exercise planning. Traveling long distances in tracked vehicles is an expensive proposition: it results in more wear and tear on the vehicles, consumes a great deal of fuel, increases the likelihood of an accident and causes considerable damage to roads along the convoy route. It is desirable, therefore, to maneuver close to home. When exercises must be held far from the organization's garrison, exercise planners should consider the following alternatives: move tracked vehicles to the exercise area by rail; reduce the scale of the exercise, e.g., change a Field Training Exercise (FTX) to a Command Post Exercise (CPX), so fewer tracked vehicles are involved; limit the exercise, especially a CPX, to wheeled vehicles.

The size of the maneuver area should be tailored to the exercise. The exercise area must be large enough to prevent violations of the maneuver boundaries, but should not be so large as to unduly increase coordination and area assessment requirements.

Coordination requirements can be reduced by paying attention to political boundaries. If the maneuver area sits astride the boundary for three different counties, the organization must coordinate with officials from all three counties. It may be possible, however, to hold the same exercise within the confines of a single county, thereby greatly reducing coordination requirements.

Violation of maneuver-restricted zones like water protection areas and natural monuments greatly increases political opposition to maneuver activity. The scheme of maneuver must take these zones into account and ensure that they are not violated. Standard tactical control measures can be used for this purpose without detracting from the realism of the exercise.

Because USAREUR Regulation 350-22 prohibits maneuver in cultivated areas, it is important to know about the agricultural growing season during the proposed exercise period. Ideally, the exercise can be held immediately following the harvest or before a new crop is planted.

Although German weather is notoriously unpredictable, certain patterns can be identified. Knowing the likely meteorological and ground conditions when developing an annual training calendar could reduce or eliminate changes to that plan. Similarly, the probability of having to cancel or restrict an exercise due to meteorological or ground conditions can be reduced by knowing local patterns. The resident MMO/MMS knows these patterns or can provide historical data of this type.

(3) Maneuver rights administration. Maneuver organizations must perform six actions in this component of the maneuver system:

- Coordinate with Managing Command responsible for exercise area
- Submit maneuver rights request through parent HQ to USAREUR
- Receive tentative approval of maneuver right from USAREUR
- Complete pre-maneuver coordination and area assessment
- Validate pre-maneuver actions with responsible Managing Command
- Receive final approval of maneuver right from Managing Command

The organization must coordinate its maneuver rights request with the Managing Command responsible for the desired exercise area. The purpose of this coordination is to ensure that there are no other exercises scheduled for that area and to prevent an area from being "overused." If there are no conflicts and the area is not exempt from maneuver use, the Managing Command will concur with the request and notify the requesting organization. The Managing Command must notify the requesting maneuver organization of its concurrence or nonconcurrence (and the reason for nonconcurrence) within three working days of receipt of the maneuver rights request. Notification may be done telephonically, but telephonic notification must be followed by written notification.

Upon receipt of concurrence from the Managing Command, the organization must annotate its maneuver rights request to that effect and submit the request through its parent headquarters to USAREUR Maneuver Rights Branch. USAREUR Regulation 350-22 lists the leadtimes for submission of maneuver rights requests. Because they are based on NATO SOFA notification requirements they are not subject to change; maneuver organizations must comply with the published leadtimes.

If the maneuver rights request is submitted in accordance with the published leadtimes and is filled out correctly, USAREUR Maneuver Rights Branch deconflicts the request and notifies the applicable German authorities of the maneuver exercise. For most requests, processing by USAREUR Maneuver Rights Branch is accomplished within 10-14 days following the leadtime suspense date. The approved request is returned to the maneuver organization through the organization's parent headquarters. A copy of the approved request is also sent to the Managing Command responsible for the proposed exercise area, if that is different than the organization's parent headquarters.

Upon receipt of the approved request, the maneuver organization must perform pre-maneuver coordination and area assessment as described in paragraph (4), below, within ten days of the beginning of the exercise. The resident MMS will validate completion of pre-maneuver coordination and area assessment by annotating the organization's copy of the maneuver rights request. Upon receipt of this validation, the Managing Command responsible for the exercise area will issue final approval of the maneuver right request. If the pre-maneuver coordination and area assessment are not accomplished, the Managing Command can withdraw its concurrence, thereby invalidating the unit's maneuver right.

(4) Pre-maneuver activities. Pre-maneuver activities consist of coordination with the local authorities, assessment of existing damage in the exercise area and maneuver damage control training for all exercise participants.

USAREUR Regulation 350-22 requires that a uniformed representative of the organization (usually the MDCO) coordinate with the local authorities in the exercise area. Local authorities include county commissioners, mayors and forest rangers (Forstmeisters); the resident MMO/MMS will provide a list of those individuals with whom coordination is required. It may be possible for the MMO/MMS to arrange a single meeting with all of the local authorities. In most cases, the MMO/MMS will accompany the organization representative and help with translation. The purpose of pre-maneuver coordination is to provide the local authorities with as much information as possible about the exercise and provide them with an opportunity to identify those things about which they are particularly concerned. Therefore, the organization should provide a briefing on the proposed scheme of maneuver, extent of aerial activity, trains locations, POL points, plan for trash removal, etc. The local authorities, on the other hand, can provide information on such sensitive areas as experimental farms, reforestation projects, logging operations, newly paved roads, etc. Pre-maneuver coordination meetings are an excellent opportunity to foster good relations by demonstrating concern for the German countryside. The unit representatives should take detailed notes and be prepared to adapt the exercise plan to accommodate the concerns expressed.

A pre-maneuver area assessment is designed to identify and record damage which existed prior to the exercise. This may be done in conjunction with the commander's initial reconnaissance of the exercise area, but it is best done immediately prior to the exercise. The list of existing damage is to be submitted with the Master Maneuver Damage Report (MMDR) following the exercise. This list will enable the Claims Service to identify and refuse payment on claims for maneuver damage not caused during that exercise. Thus, if a road was damaged by the Bundeswehr during a previous exercise, a good pre-maneuver assessment will ensure that the U.S. government does not pay for damage caused by the Bundeswehr. The resident MMO/MMS can greatly simplify pre-maneuver area assessments by pointing out those areas which were heavily trafficked during previous exercises. Expensive road damage is of particular interest during pre-maneuver assessments.

An in-depth maneuver damage control briefing will be held prior to all exercises. This briefing should present not only basic points of maneuver damage control, but those areas of concern unique to the upcoming exercise. MMOs/MMSs can provide audiovisual training aids and otherwise assist with this briefing.

(5) The maneuver exercise. Three maneuver management activities must be accomplished during the actual exercise: area assessment, area restoration and maneuver damage annotation.

Immediately prior to and throughout the exercise, the maneuver organization commander must assess the maneuver area's susceptibility to damage based on meteorological and ground conditions. The division engineer terrain team will provide technical expertise to assign a green, amber or red maneuver status. (Green: ground dry or frozen; off-road maneuver authorized. Amber: ground partially saturated; maneuver limited to roads and trails. Red: ground completely saturated; maneuver limited to hard-surface roads.)

Large-scale exercises have dedicated maneuver damage control teams responsible for restoring the exercise area to its original condition to the maximum extent possible. Area restoration will be performed to some extent for all exercises. This includes removing large clumps of mud and other debris from the roadway after tracked vehicles have crossed or entered; smoothing out ruts caused by tracked vehicles; removal of commo wire and other debris and general police of the area.

2. CONCLUSION: Maneuver management requires the support of all concerned. Adherence to the common sense rules outlined above and performance of those actions required by the USAREUR Maneuver System is essential to ensure our continued ability to maneuver and, hence, our future readiness.

Senator Dixon. Colonel DeBerry, do you have anything you would like to add to what the General has said?

Colonel DeBerry. No, sir, I do not.

Senator Dixon. Thank you very much.

I think that is very helpful and I hope you appreciate that I have a rudimentary understanding, and I did understand that it was more than property damage. It could be personal injury.

Obviously, that can occur in these kinds of maneuvers, and so forth. I see what you are saying about damage to infrastructure over a period of time.

I presume there that it is just a question of who participated. Maybe we caused some of it. Others caused other parts of it.

I see all that and I recognize the unique nature of what you are dealing with and I guess it all comes back to this.

INSPECTING CLAIMS

I am pleased to have your report. I am pleased to have the GAO report. I am pleased to see this attempt at cooperation, and to see that you are doing what you can in a responsive manner to protect the American taxpayer in connection with these claims.

That is all I am saying.

When this first came to us as an initial impression, frankly, it doggone near sounded like any time they send in a claim, you send them money.

Now, I don't mean you personally, General. That violates I think the best sense of fiscal prudence of every one of us, and we don't want to do it that way.

So I appreciate very much what you have said.

You have five people in your office now doing the on-site inspection and verification of claims work. As I understand it, they are civilian personnel.

General **Suter**. And military.

Senator **Dixon**. Do you usefully employ some of the people in your Judge Advocate General's Office and others in this kind of work?

General **Suter**. Oh, yes, sir.

Senator **Dixon**. They are involved as well?

General **Suter**. They are involved in the overall process. But most of this is a job for an adjudicator who would be a civilian employee, usually a local national, a German. Some U.S. civilians are there, and the military is more in a supervisory role.

Senator **Dixon**. How much of a backlog do you have right now? I understand that you have a backlog.

General **Suter**. The backlog? The backlog here would mean where the Defense Costs Office has paid the German and we owe them reimbursement?

OUTSTANDING CLAIMS

Senator **Dixon**. No. How many outstanding claims, if you know, just a ballpark number, do you have now?

General **Suter**. Maneuver damage claims?

Senator **Dixon**. Well, yes—of all kinds, though, not just property damage, personal injury, anything of that sort.

What is your total? Just a ballpark figure. I don't need a finite number.

You used 30,000 as a figure somewhere.

General **Suter**. Around 2,000, sir.

Senator **Dixon**. All right, 2,000 in backlog.

General **Suter**. In other words, the backlog means that when they come in, they go into the pile and you have to work on them one at a time.

Nothing is being held up.

Now, that other meaning of the term "backlog" referred to the fact that we owed, for a number of years, the German Government the portion of the reimbursement, the 75 percent. We have paid that off.

Senator **Dixon**. We are current in our payments to the German Government?

General **Suter**. Yes, sir.

Senator **Dixon**. What are we allowing this year?

Do you structurally provide an estimated amount that you perceive as being the necessary largest parameter of funds that you will need to cover this obligation each year?

General **Suter**. Yes, sir.

Senator DIXON. What does it look like it will be in the forthcoming year, in fiscal year 1989, or the allowable amount?

General SUTER. It's about $46 million.

Senator DIXON. It's $46 million.

And how much, if you know and you have that figure at hand, did you spend in the current—well, let's forget about the current—you wouldn't know the total sum. How much did you spend in the last fiscal year, if you know, your total amount in claims last year?

General SUTER. About $28.1 million.

Senator DIXON. It's $28.1 million. Do you know how much you spent this year to date?

General SUTER. It's $45 million.

Senator DIXON. All right, $45 million.

Do you kind of look at that and see if there is any justification for what would appear to be almost a doubling of expenses in one year?

General SUTER. Yes, sir.

Senator DIXON. You, I presume, have the usual business-like concerns about matters of that kind?

General SUTER. Oh, yes, sir.

For one thing, the factors that I mentioned earlier, the number of exercises——

Senator DIXON. Were greater?

General SUTER. The weather was a big factor, for example. In 1986, if we can look at it that way, 1986 was a bad year for us because there was a lot of damage due to wetness.

In 1987, there were fewer exercises, less rain, less damage. It is very difficult to forecast the number of dollars you are going to need because there is guesswork on the weather and the number of exercises and the type and maybe how good our training is and how good our verification is.

Senator DIXON. Now, the thought occurs to me that you have allowed for next year a figure that is going to be less than what it appears you will have to spend this year. If you spent $45 million up to now, obviously you are going to spend more than $46 million this year.

General SUTER. We had to play catch-up this year, Mr. Chairman, because of the reimbursements that we owed the Germans that we let lag. They didn't demand it. They asked for the reimbursement, but we didn't have it in the budget. We didn't pay.

We thought it prudent business sense to go ahead and pay those off, and the value of the dollar has a bearing, maybe, on when it is preferable to pay them.

Again, I don't want to say that we wait until the dollar is high and we pay them off. But there are better times than others to pay these debts.

CLAIMS PAID/PAST 5 YEARS

Senator DIXON. I would ask you to talk to my staff about giving us for the next 5 years how much you paid each year.

General SUTER. Yes, sir.

[The information follows:]

NATO SOFA MANEUVER AND TORT CLAIM EXPENDITURES IN GERMANY

Total reimbursements, in millions of U.S. dollars, were:
Fiscal year 1983—$43.1.
Fiscal year 1984—$30.8.
Fiscal year 1985—$30.1.
Fiscal year 1986—$24.3.
Fiscal year 1987—$28.1.
a. U.S. reimbursements for Tort Claims, in millions of U.S. dollars, were:
Fiscal year 1983—$9.5.
Fiscal year 1984—$7.0.
Fiscal year 1985—$6.6.
Fiscal year 1986—$5.7.
Fiscal year 1987—$5.3.
b. U.S. reimbursements for Maneuver Claims, in millions of U.S. dollars, were:
Fiscal year 1983—$33.6.
Fiscal year 1984—$23.8.
Fiscal year 1985—$23.5.
Fiscal year 1986—$18.6.
Fiscal year 1987—$22.8.

Senator DIXON. In this budget, you are figuring what, $46 million?

[Pause.]

This is a little inside joke. Just remember that I made this speech before on the floor, that it is quite possible, acknowledged General von Ustler, a military official in the West German Embassy in Washington, we have the saying in Germany, and I quote, "The oldest boy gets the farm; the next one gets the maneuver damage." [General laughter.]

I just want to put that into the record so that we are all up to the challenge.

I don't mind the one boy getting the farm, but I don't want to pay every other boy with maneuver damage money in Germany.

Well, we all understand one another, and nobody is picking on you. We want you to do the best job that you can and we appreciate the GAO work.

Be on notice that we might inquire about this once in a while and look over your shoulder.

Thank you very much.

General SUTER. Thank you, sir.

U.S. OVERSEAS INSTALLATIONS

Senator DIXON. Ladies and gentlemen, our third panel will focus on the overall policy framework for the installations supporting our military forces which are deployed overseas.

Over $1.5 billion has been requested in fiscal year 1989 for construction at U.S. military installations overseas and for the U.S. contribution to the NATO infrastructure program. The overseas portion of the military construction budget is often the most difficult to protect from reductions for a variety of reasons. The uncertainty of base rights negotiations in some countries creates uncertainties about the future.

In addition, construction in many of these overseas areas can be funded by the host nation or the NATO alliance. Congress is reluctant to use scarce U.S. resources to construct facilities which could be financed by our allies.

Despite these problems, this subcommittee understands the importance of our overseas installations, the unique challenges which our deployed forces face, and the special hardships which are shouldered by our military families overseas.

Because of our concerns about these issues, the subcommittee has invited representatives from the Office of the Secretary of Defense to testify regarding the unique problems of our deployed forces and the status of ongoing base rights negotiations.

We are pleased to welcome Mr. David G. Wigg, Deputy Assistant Secretary of Defense for Policy Analysis, Office of the Secretary of Defense, and Ambassador John A. Woodworth, Deputy Assistant Secretary of Defense for European and NATO Policy, Office of the Secretary of Defense.

I note that you have as backup witnesses many of the senior engineers of the military services. I welcome you, gentlemen, and I appreciate your attendance.

As is our custom, I would ask you to limit your opening remarks to 5 to 10 minutes, so that we can get to questions as quickly as possible.

I assure you that your prepared statements will be entered into the record in full.

We plan to have a brief closed session at the end of the hearing. So if our questions warrant classified responses, I would ask that you advise us and we will defer those issues until the closed session.

I thank you very much.

Mr. Wigg, shall we proceed with you? Is that the order that you prefer?

Mr. WIGG. Yes, sir.

Ambassador WOODWORTH. That's fine with me, too.

STATEMENT OF DAVID G. WIGG, DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR POLICY ANALYSIS, OFFICE OF THE SECRETARY OF DEFENSE

Mr. WIGG. Thank you, Mr. Chairman. Let me just race through a few comments here so that we can move along.

I represent international security affairs. Our part of the portfolio is non-NATO, for the most part. Our share of MilCon this particular year is rather small—$350 million out of a much larger overall figure.

With all the attention that has been given to the base rights problem, let me just say that in very few countries under ISA's purview, which includes Latin America, Africa, and Southeast Asia, there is a serious risk over the next 5 years of losing the kind of access of base rights facilities that we have. I just wanted to make a quick comment to the effect that I think the single most important aspect of the pressure we are facing on base rights renegotiations has to do with the global economic environment. The pressures that many of the Free World countries are under raise havoc within their societies, and I think it can distort the priorities of otherwise like-minded, yet fragile, democracies.

A part of that is what we are seeing in so many of these areas, where there are increased demands for security assistance, and so on.

Rather than go through anything that is probably already in my statement, let me just say, briefly, that there are specifics in Central America, in the Persian Gulf and in the Philippine base negotiations that I can discuss in a closed session. I don't see any point in dancing around the issue in an open session with the limited time we have.

I can briefly say that the situation in the Persian Gulf is much improved from what it was when we started our operation there. We have a trimmer operation. It is cheaper.

One of the reasons it is cheaper is because we have gained considerable offset, access, and other service benefits from the countries in the region. These are not always made public or readily recognizable. But we do enjoy substantial privileges in the area that reduce our costs. What started out at roughly $20 million a month for the operation there is now down to the magnitude of $12 million. A part of this has to do with free fuel, free airfield access, free port facilities, and so on—things that do not readily show up.

With regard to the Philippines, I would make just a general statement.

There has been lots of press speculation. We expect to stay in the Philippines. We anticipate that we will succeed in the renegotiation. It is going to be very tough.

But, again, a lot of the problems associated with that situation have to do with the economics of the country itself. But I think we will succeed in that renegotiation, when it comes along.

Rather than just going on, why don't I just stop here.

[The prepared statement of Mr. Wigg follows:]

PREPARED STATEMENT OF DAVID G. WIGG
DEPUTY ASSISTANT SECRETARY OF DEFENSE
FOR POLICY ANALYSIS (INTERNATIONAL SECURITY AFFAIRS)

MR. CHAIRMAN:

IT IS A PLEASURE FOR ME TO APPEAR BEFORE YOUR SUBCOMMITTEE TODAY ON BEHALF OF THE SECRETARY OF DEFENSE. WE APPRECIATE THE SUPPORT OF THE CONGRESS FOR OUR MILITARY CONSTRUCTION (MILCON) PROGRAMS THAT UNDERPIN THE U.S. NATIONAL DEFENSE POSTURE AND WE WELCOME THE OPPORTUNITY TO EXPLAIN OUR REGIONAL POLICY OBJECTIVES AND DESCRIBE HOW THESE MILITARY CONSTRUCTION PROGRAMS SUPPORT OUR MISSION OVERSEAS.

I AM HONORED, AS WELL, TO BE JOINED BY MY DISTINGUISHED COLLEAGUE, JOHN WOODWORTH, DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR EUROPEAN AND NATO POLICY. WE ARE JOINED ALSO BY WITNESSES FROM THE SERVICES WHO ARE ABLE TO PROVIDE TECHNICAL AND PROGRAMMATIC DETAIL ON THE SPECIFIC MILCON PROGRAMS IF THE SUBCOMMITTEE DESIRES.

YOU ASKED THAT WE ADDRESS THE ISSUE OF MILITARY CONSTRUCTION VIS-A-VIS BASE RIGHTS AND ACCESS AGREEMENTS AND THE HOST COUNTRY CONCERNS IN LOCATIONS WHERE NEGOTIATIONS ARE UNDERWAY OR ANTICIPATED. I WILL GIVE YOU AN OVERVIEW OF OUR POSTURE BY REGIONS AND DESCRIBE THE STATUS OF NEGOTIATIONS AS APPROPRIATE. I WILL BEGIN WITH THE CARIBBEAN BASIN, THEN COVER SOUTHWEST ASIA, FOLLOWED BY THE PACIFIC.

THE MILITARY CONSTRUCTION MONEY DOD IS REQUESTING TO SPEND OVERSEAS THIS YEAR IS $1.6 BILLION, ONLY ABOUT 20% OF THE TOTAL MILITARY CONSTRUCTION BUDGET OF $8.8 BILLION. OF THE 1.6 BILLION IN OVERSEAS MILCON, THE AMOUNT UNDER THE INTERNATIONAL SECURITY AFFAIRS (ISA) PURVIEW IS $349 MILLION, TWENTY THREE PERCENT OF THE TOTAL--ROUGHLY ONE PERCENT FOR CENTRAL AMERICA, TWO PERCENT FOR SOUTHWEST ASIA, AND TWENTY PERCENT FOR THE PACIFIC AREA.

I WOULD LIKE TO MAKE THREE BRIEF POINTS BEFORE WE MOVE INTO THE REVIEW OF REGIONAL PROGRAMS. FIRST, IT IS USEFUL TO REMEMBER

THAT, JUST AS WITH MILCON EXPENDITURES HERE IN THE U.S., MUCH OF MILCON SPENDING ABROAD BRINGS WITH IT IMPORTANT, TANGIBLE EXTERNAL ECONOMIES--JOBS, THE BOOST TO THE LOCAL ECONOMY--TO THE HOST NATIONS WHO GRANT US ACCESS. THIS HAS BECOME EVER MORE IMPORTANT OVER THE PAST DECADE AS MOST OF THE DEVELOPING WORLD HAS FALLEN INTO ECONOMIC CRISIS. FOREIGN GOVERNMENTS ARE ACCUTELY AWARE OF THESE BENEFITS AND THEY REPRESENT AN IMPORTANT SOURCE OF LOCAL AND EVEN REGIONAL GOODWILL FAVORABLE TO OUR INTERESTS.

SECOND, WITH REGARD TO OUR MILCON SPENDING ABROAD, IT MIGHT BEST BE THOUGHT OF AS A "COST OF DOING BUSINESS" AS OPPOSED TO AN "INVESTMENT". WHILE IT IS TRUE THAT MUCH OF OUR MILCON SPENDING DOES GENERATE A LONG-TERM BENEFIT STREAM TIED TO THE STABILITY OF LONG-TERM BASING RELATIONSHIPS, THE UNDERLYING RATIONALE IS NEVERTHELESS A STRATEGIC ONE CARRYING WITH IT AN ASSOCIATED RISK. OUR MILCON GIVES US A FACILITY THAT, FOR AS LONG AS WE USE IT, PROVIDES MILITARY CAPABILITY, MUCH AS THE PURCHASE OF EQUIPMENT DOES. BUT THERE ARE NO GUARANTEES THAT THESE FACILITIES WILL BE "CONSUMED" TO THE END OF THEIR USEFUL LIFE. THUS, WHEN DOD CONSIDERS EACH MILCON PROJECT, WE MUST DETERMINE THAT IT SERVES A PURPOSE CONSISTENT WITH U.S. REGIONAL SECURITY GOALS AND WE MUST BE AS CONFIDENT AS POSSIBLE OF OUR CONTINUED ACCESS FOR A SUFFICIENT TIME PERIOD FOR THE PROJECT TO MAKE MILITARY/STRATEGIC SENSE--NOT AN ACCOUNTING PROFIT.

THIS BRINGS US TO A THIRD POINT--THAT U.S. MILITARY AND SECURITY RELATIONSHIPS WITH FOREIGN GOVERNMENTS SHOULD BE LOOKED AT IN THE CONTEXT OF THE EVER-CHANGING GLOBAL ENVIRONMENT. CARRYING OUT SUCCESSFUL DEFENSE POLICIES IN THIS MILIEU IS INCREASINGLY DIFFICULT AND POTENTIALLY MORE EXPENSIVE, BUT THERE ARE NO VIABLE ALTERNATIVES. U.S. RELATIONSHIPS WITH OTHER COUNTRIES ARE NOT STATIC; THEY ARE CONSTANTLY EVOLVING. PROBABLY THE MOST IMPORTANT FACTOR AFFECTING THESE CHANGES OVER THE PAST DECADE CAN BE LAID TO FUNDAMENTAL SHIFTS IN THE WORLD ECONOMY. THE INCREDIBLE PRESSURES--IN THE FORM OF HIGH DEBTS, LOW OR NO

GROWTH AND THE GROWING DOMESTIC RESTLESSNESS THUS ENGENDERED-- THAT HAVE BEEN BROUGHT TO BEAR ON THE GOVERNMENTS OF SO MANY OF OUR FRIENDS AND ALLIES, CERTAINLY MAKE IT MORE COMPLEX AND DIFFICULT TO SECURE FUTURE U.S. BASING AND ACCESS ARRANGEMENTS CONSISTENT WITH OUR FORWARD DEPLOYMENT POLICIES AND TO MAXIMIZE THE RETURN ON MILCON.

THUS, THE HEALTH OF THE FREE WORLD ECONOMY AND THE POLICIES WE PURSUE TO HELP RESTORE GROWTH AND PROSPERITY ABROAD ARE OF FUNDAMENTAL IMPORTANCE TO THE SUCCESS OF U.S. MILITARY/STRATEGIC POLICIES AS WELL. A GOOD DEAL OF THE PRESSURES WE ARE FACING IN THE PRESENT AND UPCOMING BASE NEGOTIATIONS ARE, THUS, TIED TO NON-MILITARY CONSIDERATIONS, RATHER THAN ANY DEMONSTRABLE SHIFTS IN THE GEOSTRATEGIC THINKING OF MOST OF OUR LONGSTANDING FRIENDS AND ALLIES. SHARED GEOPOLITICAL VIEWS AND FOREIGN POLICY GOALS THAT HAVE EVOLVED OVER THE DECADES BEFORE AND AFTER WORLD WAR II BETWEEN THE U.S. AND MUCH OF THE FREE WORLD STILL FORM THE BASIS FOR VIABLE FUTURE SECURITY RELATIONSHIPS. WHILE NEGOTIATING THESE FUTURE RELATIONSHIPS IS MADE MORE DIFFICULT BY THE SHIFTING GLOBAL ENVIRONMENT, WE MUST WORK TO ENSURE THAT THE UNDERLYING SHARED VALUES OF FREEDOM AND SECURITY WILL PREVAIL.

MILITARY CONSTRUCTION PROJECTS ARE IMPORTANT TO OUR ROLE AS A REGIONAL ALLY. WITHOUT ADEQUATE FACILITIES, WE CANNOT EFFECTIVELY PROMOTE OUR REGIONAL GOALS OF DEMOCRACY, ECONOMIC GROWTH, AND SECURITY FOR OUR ALLIES.

I WOULD LIKE TO POINT OUT, THAT EVEN WITH YOUR AUTHORIZATION AND APPROPRIATION OF MILCON FUNDS FOR CERTAIN PROJECTS, WE HAVE ON OCCASION DEFERRED THE EXECUTION OF THOSE PROJECTS DUE TO UNCERTAINTIES ABOUT OUR CONTINUED ACCESS. I ASSURE YOU, MR. CHAIRMAN, THAT WE GO INTO THESE ENDEAVORS WITH OUR EYES WIDE OPEN. WE HAVE NO ILLUSIONS OF INDEFINITE, GUARANTEED, UNFETTERED ACCESS.

CENTRAL AMERICA AND THE CARIBBEAN BASIN

TURNING FIRST TO THE CENTRAL AMERICAN AND CARIBBEAN AREA, OUR CONSTRUCTION REQUEST FOR FY89 DIFFERS LITTLE FROM OUR PROJECTED REQUIREMENTS IN LAST YEAR'S BUDGET. THE ONLY SIGNIFICANT CHANGE IS DELETION OF A REQUEEST FOR FAMILY HOUSING CONSTRUCTION IN PANAMA.

AS A RESULT OF THE CONGRESSIONAL ACTION CUTTING THE $21 MILLION HOUSING PROJECT IN PANAMA, THE U.S. ARMY HAS DELETED ITS FOLLOW-ON FAMILY HOUSING REQUEST FOR PANAMA FOR FY89. THAT IS NOT TO SAY THAT WE HAVE CHANGED OUR VIEW ON THE IMPORTANCE OF FAMILY HOUSING IN PANAMA. AS WE STATED IN OUR FIVE-YEAR PLAN FOR THE REGION, A SHORTAGE OF ADEQUATE FAMILY HOUSING UNITS CONTINUES. THE U.S. ARMY, AS HOUSING AGENT, WILL CONTINUE TO EXPLORE AVENUES TO SATISFY THIS NEED.

BEFORE ADDRESSING THE SPECIFICS OF OUR FY89 REQUEST, I WANT TO REVIEW WITH YOU OUR POLICY IN THE REGION. UNITED STATES INTERESTS IN CENTRAL AMERICA AND THE CARIBBEAN ARE BASED UPON GEOGRAPHIC, POLITICAL, AND ECONOMIC REALITIES, AND A STRONG TRADITION OF HEMISPHERIC SOLIDARITY. OUR OBJECTIVE IS TO PROTECT U.S. INTERESTS AND PROVIDE A SECURITY SHIELD TO ALLOW DEMOCRACY TO FLOURISH. IN 1983, PRESIDENT REAGAN OUTLINED FOUR BASIC GOALS FOR CENTRAL AMERICA: FIRST, WE SUPPORT DEMOCRACY, REFORM, AND HUMAN FREEDOM; SECOND, WE SUPPORT ECONOMIC DEVELOPMENT; THIRD, IN RESPONSE TO THE MILITARY CHALLENGE FROM CUBA AND NICARAGUA, WE SUPPORT THE SECURITY OF OUR ALLIES IN THE REGION; AND FOURTH, THE UNITED STATES SUPPORTS DIALOGUE AND NEGOTIATIONS THAT LEAD TO REAL AND LASTING PEACE. THERE HAS BEEN NO CHANGE IN THESE GOALS. THEY HAVE ENJOYED BIPARTISAN SUPPORT AND WILL CONTINUE TO BE THE CORNERSTONE OF UNITED STATES POLICY FOR THE REGION.

OUR MILITARY CONSTRUCTION PROGRAM IS SUPPORTIVE OF THESE POLICY GOALS. THERE HAS BEEN GENUINE PROGRESS TOWARD DEMOCRATIZATION IN CENTRAL AMERICA. WE WANT THE NASCENT

DEMOCRACIES OF EL SALVADOR, GUATEMALA, AND HONDURAS TO REACH THE HIGH LEVEL OF DEMOCRATIC TRADITION EXPERIENCED BY THEIR NEIGHBOR, COSTA RICA. WE FIRMLY BELIEVE THAT THE WAY TO DO THAT IS BY DEMONSTRATING OUR COMMITMENT AND RELIABILITY AS AN ALLY. THE MILITARY CONSTRUCTION PROGRAM IS A VISIBLE SIGN OF THIS COMMITMENT. DEMOCRATIZATION WILL FOSTER A CLIMATE CONDUCIVE TO ECONOMIC DEVELOPMENT, ECONOMIC DEVELOPMENT SHOULD REDRESS SOCIAL AND ECONOMIC INEQUITIES AND OPEN THE DOORS TO IMPROVED CONDITIONS INCLUDING HEALTH CARE, EDUCATION AND OTHER SOCIAL BENEFITS.

THE FY89 REQUEST IS MODEST. WE ARE ASKING FOR $19.3 MILLION. IN ANTIGUA, THE NAVY IS REQUESTING $6.5 MILLION IN TRAINING SUPPORT FACILITIES. THE PROJECT IS PART OF A THREE YEAR UPGRADE WHICH IS DESIGNED TO SUPPORT THE JOINT SERVICE SPECIAL OPERATIONS FORCES TRAINING AND EXERCISES. THE FACILITIES WILL ALSO SERVE TO SUPPORT THE REGIONAL PROGRAM OF COMBINED TRAINING WITH EASTERN CARIBBEAN SECURITY PERSONNEL.

IN HONDURAS, OUR REQUEST IS FOR $3.05 MILLION FOR REPLACEMENT OF WOODEN CENTRAL AMERICAN TROPICAL HUTS BY 16 RELOCATABLE BARRACKS AND SUPPORT FACILITIES. WE ARE ATTEMPTING TO PROVIDE ADEQUATE LIVING CONDITIONS FOR OUR MILITARY PERSONNEL WHO ARE THERE ON TEMPORARY DUTY.

AS WE HAVE TESTIFIED BEFORE, OUR PRESENCE IN HONDURAS IS BOTH TEMPORARY AND INDEFINITE. THE CONGRESS LAST YEAR AUTHORIZED, BUT DID NOT APPROPRIATE, MONEY FOR A $4.15 MILLION PROJECT WE HAD PROGRAMMED FOR PHASE 1 OF A THREE-PHASE PROJECT TO UPGRADE THE LIVING CONDITIONS FOR OUR SOLDIERS. THIS FIRST PHASE WAS CUT FROM THE APPROPRIATIONS BILL AS A SIGNAL OF UNITED STATES SUPPORT FOR POLITICAL SOLUTIONS TO REGIONAL PROBLEMS. THE SENATE STATED THAT THE REQUESTED PROJECT WAS INCOMPATIBLE WITH THE SPIRIT OF THE ARIAS PEACE INITIATIVE AND THAT ITS APPROVAL WOULD ONLY SERVE TO COMPLICATE THE PEACE PROCESS. THE CONGRESS DID, HOWEVER, LEAVE THE DOOR OPEN FOR POSSIBLE REPROGRAMMING OF THE PROJECT IN

FY88 AND IT IS THE INTENT OF THE DEPARTMENT OF DEFENSE TO SUBMIT A REPROGRAMMING REQUEST LATER THIS YEAR. THE CONSTRUCTION WILL BE DONE IN FULL COORDINATION WITH THE HONDURAN GOVERNMENT. THE RELOCATABLE STRUCTURES THAT WE WANT TO CONSTRUCT WILL PROVIDE OUR PEOPLE WITH A HEALTHIER AND SAFER LIVING ENVIRONMENT.

IN PANAMA, THE SITUATION IS COMPLICATED DUE TO ACTIONS TAKEN BY GENERAL NORIEGA TO REMAIN IN POWER IN SPITE OF BEING DISMISSED BY THE CONSTITUTIONAL PRESIDENT. WE REMAIN FIRMLY COMMITTED TO DEMOCRACY AND CONSTITUTIONAL RULE OF LAW IN PANAMA BACKED BY CREDIBLE ELECTIONS AND RESPECT FOR HUMAN AND POLITICAL RIGHTS. FURTHERMORE, WE CONSIDER A FULL, FUNCTIONING DEMOCRACY IN PANAMA TO BE INTEGRAL TO THE DEFENSE OF THE CANAL. THERE IS A VERY STRONG LINK BETWEEN OUR ACTIVITIES IN LATIN AMERICA AND OUR CANAL DEFENSE RESPONSIBILITIES. THREATS TO STABILITY IN THE OPERATIONS. IT IS FOR THIS REASON THAT WE ARE ASKING FOR ADDITIONAL MILITARY CONSTRUCTION IN PANAMA. I WANT TO ASSURE YOU THAT WE HAVE CAREFULLY CONSIDERED OUR CONSTRUCTION REQUEST. THIS YEAR'S REQUEST WILL SUPPORT THE U.S. SOUTHERN COMMAND'S ASSIGNED MISSION FOR THE FULL PERIOD FOR WHICH A UNITED STATES MILITARY PRESENCE WILL BE MAINTAINED IN PANAMA IN ACCORDANCE WITH THE TREATIES. THE FY89 REQUEST IS FOR A TOTAL OF $9.74 MILLION. OF THAT TOTAL, $2.6 MILLION IS FOR QUALITY-OF-LIFE UPGRADES TO THE HOWARD AFB UNACCOMPANIED ENLISTED PERSONNEL BILLETING. THE OTHER PROJECT IN PANAMA IS $6.2 MILLION IN OPERATIONS AND MAINTENANCE FACILITIES AND A FLOATING PIER TO SUPPORT A NAVAL SPECIAL WARFARE UNIT. THIS PROJECT WILL ALLOW US TO MORE EFFECTIVELY PATROL AND SECURE THE CANAL, SURVEIL COASTAL AREAS, AND ESCORT SENSITIVE SHIPPING. EQUALLY IMPORTANT, IT WILL GIVE US THE CAPABILITY TO MORE EFFECTIVELY WORK WITH THE NAVIES IN THE REGION AS THEY DEAL WITH SERIOUS THREATS OF INSURGENCY AND DRUG TRAFFICKING.

SOUTHWEST ASIA

EVENTS OVER THE PAST YEAR REINFORCE THE CRITICAL IMPORTANCE

OF THE PERSIAN GULF TO THE LONG TERM INTERESTS OF THE UNITED STATES, AND THE CORRESPONDING REQUIREMENT FOR THE CAPABILITY TO PROJECT OUR FORCES INTO THE AREA, IF THAT SHOULD BE REQUIRED.

U.S. OBJECTIVES IN THE GULF HAVE ENJOYED BIPARTISAN SUPPORT FOR OVER FOUR DECADES. THEY INCLUDE: CIRCUMSCRIBING SOVIET ACCESS/INFLUENCE IN THE THE REGION, INSURING STABILITY AND SECURITY OF THE GULF STATES, AND MAINTAINING CONTINUED FREE WORLD ACCESS TO GULF OIL RESOURCES, THE DISRUPTION OF WHICH WOULD SERIOUSLY AFFECT THE FREE WORLD AND U.S. OIL MARKET. THE IRAN-IRAQ WAR CONTINUES TO CREATE OPPORTUNITIES FOR THE SOVIETS TO EXPAND THEIR INFLUENCE, INCREASES THE THREAT OF IRANIAN INTIMIDATION AND POSSIBLE HEGEMONY OVER THE GULF STATES, AND ENDANGERS FREEDOM OF NAVIGATION FOR NON-BELLIGERENT SHIPPING AND THE FREE FLOW OF OIL.

LAST SUMMER THE U.S. BEGAN PROTECTING ELEVEN KUWAITI SHIPS UNDER U.S. FLAG, IN ADDITION TO OTHER U.S. FLAG VESSELS OPERATING IN THE GULF. THIS COMMITMENT REQUIRED ADDITIONAL U.S. NAVAL FORCES (NOW APPROXIMATELY 25 SHIPS), REFINED COMMAND AND CONTROL ARRANGEMENTS AND CONSIDERABLE SUPPORT FROM THE GULF STATES WHICH HAVE, WITHOUT FANFARE AND WITH VERY FEW EXCEPTIONS, PROVIDED US THE SUPPORT OUR FORCES HAVE REQUIRED TO OPERATE SO EFFECTIVELY. AS AN EXAMPLE OF THE POINT MADE IN MY INTRODUCTORY REMARKS, THE SHARED PERCEPTION OF THE THREAT, AND CLEARLY-DEMONSTRATED U.S. WILLINGNESS TO ASSIST AND STAY THE COURSE HAVE, IN MY VIEW, CREATED UNPRECEDENTED LEVELS OF MILITARY COOPERATION.

THE MILITARY COMPONENTS OF OUR SOUTHWEST ASIA STRATEGY INCLUDE U.S. FORCE PRESENCE, IMPROVED OPERATIONAL AND LOGISTICAL CAPABILITIES, ALLIED COOPERATION, AND SECURITY ASSISTANCE. BALANCED EFFORTS MUST CONTINUE IN EACH OF THESE AREAS TO STRENGTHEN OUR DETERRENT POSTURE. WE ARE FIRMLY COMMITTED TO DEFEND U.S. INTERESTS IN SOUTHWEST ASIA AND TO ENSURE THE SECURITY OF OUR FRIENDS. OUR NAVAL FORCES IN THE PERSIAN GULF AND NORTH ARABIAN SEA REPRESENT A VERY SIGNIFICANT AND FLEXIBLE

CAPABILITY: OUR MOST SERIOUS COMMITMENT IN THE REGION SINCE WORLD WAR II.

FOR OMAN, WE ARE REQUESTING $9.9 MILLION IN FY89 WHICH INCLUDES FUNDING FOR APPROACH LIGHTING AT MASIRAH AND JET FUEL STORAGE AT SEEB. BOTH OF THESE FACILITIES ARE ESSENTIAL TO OUR READINESS AND FORCE PROJECTION GOALS FOR THE REGION. OUR ACCESS AGREEMENT IN OMAN HAS A TERM OF TEN YEARS AFTER WHICH IT CONTINUES UNTIL EITHER PARTY GIVES ONE YEAR'S NOTICE TO TERMINATE IT. THE EARLIEST IT COULD TERMINATE IS 1991.

WHILE WE HAVE NOT REQUESTED NEW FUNDS IN FY89 FOR MOROCCO, EGYPT OR TUNISIA, A FEW COMMENTS ARE APPROPRIATE. IN MOROCCO, AS YOU KNOW, WE HAVE A FORMAL ACCESS AND TRANSIT AGREEMENT AND THE PROJECTS APPROVED FOR FY85, 86 AND 87 WILL PROVIDE FUEL STORAGE AND AIRFIELD IMPROVEMENTS TO ENHANCE ENROUTE AIRLIFT FOR U.S. CONTINGENCY DEPLOYMENTS. IN ADDITION, WE CONTINUE TO EXPLORE THE FEASIBILITY OF USING SOME OF MOROCCO'S EXCELLENT BUT UNDERUTILIZED FACILITIES TO EXPAND OUR EXERCISE OPTIONS IN THE REGION. TUNISIA MAY ALSO OFFER ADDITIONAL POTENTIAL BUT IT WILL BE SOME TIME BEFORE WE WORK OUR WAY THROUGH THAT.

EGYPT, THOUGH NOT A COUNTRY WITH MILCON PROJECTS THIS YEAR, DESERVES SPECIAL NOTE. MOST ARAB LEAGUE NATIONS HAVE NOW REESTABLISHED RELATIONS WITH EGYPT AND WE EXPECT PROMPT AND PRODUCTIVE MOVEMENT TOWARD CLOSER MILITARY COOPERATION WHICH WILL ASSIST THE U.S. SIGNIFICANTLY.

OUR FY89 MILCON REQUESTS FOR SOUTHWEST ASIA ARE PRUDENT, LIMITED, AND AIMED CAREFULLY AT EXPANDING SLOWLY THE GROWING ABILITY TO PROJECT AND SUSTAIN U.S. FORCES INTO THE REGION IF CIRCUMSTANCES WARRANT. WE ARE GRATIFIED BY THE SUPPORT OF THIS COMMITTEE FOR OUR REGIONAL POLICY GOALS, AND FOR THE MILCON REQUIRED TO MEET THESE GOALS THROUGH READINESS, SUSTAINABILITY AND SUPPORT.

PACIFIC

OUR MILITARY CONSTRUCTION PROGRAM IN THE PACIFIC AREA ALSO ENHANCES OUR REGIONAL DEFENSE OBJECTIVES. OUR FUNDAMENTAL STRATEGY IN THE PACIFIC--TO DETER AGGRESSION IN THE REGION--IS BASED ON:

-- FORWARD DEPLOYMENT OF GROUND, SEA, AND AIR FORCES.

-- A BALANCED FORCE PRESENCE, PERCEIVED BY FRIEND AND FOE TO BE CAPABLE AND READY TO DEFEND OUR INTERESTS AND THOSE OF OUR ALLIES.

-- A SYSTEM OF ALLIANCES AND REGIONAL COOPERATION THAT DRAWS UPON THE COMMON INTERESTS OF ALLIES AND EFFECTIVELY COMBINES OUR DEFENSE CAPABILITIES.

FORWARD DEPLOYMENT OF OUR FORCES IN KOREA, JAPAN, THE PHILIPPINES AND ADJACENT WATERS HAS BEEN FUNDAMENTAL TO THE SUCCESS OF OUR STRATEGY OF DETERRENCE. THIS IS WHERE OUR MILITARY CONSTRUCTION PROGRAM COMES INTO PLAY AS WE SEEK TO IMPROVE OPERATIONAL CAPABILITIES OF OUR FORCES, ENHANCE AND SUSTAIN THEIR LOGISTIC AND ADMINISTRATIVE CAPABILITIES AND IMPROVE THEIR LIVING CONDITIONS.

WE CAN VIEW THE PACIFIC REGION WITH A SENSE OF ACCOMPLISHMENT AND OPTIMISM. IN JAPAN, WE SEE A LEADING WORLD ECONOMIC POWER THAT IS ASSUMING A MORE ACTIVE AND VISIBLE ROLE IN THE DEFENSE OF THE HOME ISLANDS AND THE VITAL SEALANES THAT LINK HER WITH THE REST OF THE WORLD. SIGNIFICANTLY FOR THE U.S., JAPANESE POLICIES AND WEAPON SYSTEMS ACQUISITIONS CONTINUE TO ENHANCE OUR COMBINED DETERRENT STRENGTH AND INTEROPERABILITY. IMPORTANTLY, THE JAPANESE ARE APPROACHING THE SUBJECT OF BURDEN SHARING IN A POSITIVE AND COOPERATIVE SPIRIT. THERE IS EVERY INDICATION THAT OUR SECURITY AGREEMENTS WITH JAPAN WILL CONTINUE AND GROW FOR THE FORSEEABLE FUTURE.

ON THE KOREAN PENINSULA, WE HAVE WITNESSED THIRTY-FIVE YEARS WITHOUT RENEWED AGGRESSION. OUR FORCE PRESENCE AND DEFENSE COMMITMENT, TOGETHER WITH THE GROWING DEFENSE CAPABILITIES OF

OUR ROK ALLIES HAVE DETERRED NORTH KOREAN MILITARY AMBITIONS. THE ENERGIES AND CAPABILITIES OF OUR KOREAN ALLIES HAVE YIELDED IMPRESSIVE ECONOMIC AND INDUSTRIAL PROGRESS. WE WITNESSED THIS YEAR A SIGNIFICANT STAGE IN THE DEMOCRATIZATION OF THAT REPUBLIC WITH THE INAUGURATION OF THEIR FIRST DIRECTLY ELECTED PRESIDENT IN SIXTEEN YEARS. AS IN JAPAN WE FEEL OUR PRESENCE AND ACCESS THERE REMAIN ON FIRM FOOTING.

ALSO LAST MONTH, WE SHARED WITH OUR FRIENDS IN THE PHILIPPINES THE SECOND ANNIVERSARY OF THE AQUINO GOVERNMENT--AN ADMINISTRATION THAT HAS THE FULL SUPPORT OF THE CONGRESS AND ALL IN GOVERNMENT AS IT COMES TO GRIPS WITH INHERITED ECONOMIC WOES AS WELL AS A THREATENING INSURGENCY. OUR CONTINUED PRESENCE IN THE PHILIPPINES IS BUT ONE MEASURE OF OUR COMMITMENT TO INSURE SURVIVAL OF PHILIPPINE INDEPENDENCE AND DEMOCRACY. WE ARE ABOUT TO BEGIN THE SECOND FIVE-YEAR REVIEW OF THE MILITARY BASES AGREEMENT WITH THE PHILIPPINES. FOLLOWING THAT, WE ANTICIPATE A RENEGOTIATION OF THE AGREEMENT FOR THE POST-1991 PERIOD, WHEN EITHER PARTY BECOMES FREE TO TERMINATE THE CURRENT ARRANGEMENT ON ONE YEAR'S NOTICE. SEVERAL SIGNIFICANT ISSUES ARE LIKELY TO BE ADDRESSED. MOST IMPORTANTLY, THE AQUINO GOVERNMENT IS DETERMINED TO ACHIEVE INCREASED ECONOMIC STABILITY THROUGH MORE ADVANTAGEOUS ARRANGEMENTS WITH THE U.S., AND WE CAN EXPECT HARD BARGAINING. WE BELIEVE, HOWEVER, THAT WITH STRONG AND EARLY BACKING FROM PRESIDENT AQUINO, AN ONGOING AGREEMENT WILL BE REACHED AND WILL BE SUPPORTED BY THEIR SENATE AND THE PEOPLE OF THE PHILIPPINES.

FOR FY89, THE ADMINISTRATION IS SEEKING $278 MILLION FOR MILITARY CONSTRUCTION IN THE PACIFIC AREA. ALSO, WE PROPOSE TO SPEND $20 MILLION FOR FAMILY HOUSING. THE PROJECTS REPRESENT OUR EFFORTS TO SUSTAIN AND IMPROVE THE OPERATIONAL CAPABILITIES OF OUR FORCES AS WELL AS THEIR LIVING CONDITIONS AND SECURITY.

IN JAPAN, OUR MILITARY CONSTRUCTION REQUEST TOTALS $27 MILLION. AS IN THE PAST, THESE PROJECTS REPRESENT OPERATIONAL

SUPPORT ITEMS: PRIMARILY FUEL AND AMMUNITION STORAGE AND SAFETY PROJECTS. I ASK THAT, IN CONSIDERING THESE EXPENDITURES, YOU ACKNOWLEDGE JAPAN'S CONTRIBUTION TO OUR PROGRAMS THERE, AND THEIR RECENT PLEDGE TO INCREASE FINANCIAL SUPPORT FOR U.S. FORCES IN JAPAN. THE 1988 JAPANESE DEFENSE BUDGET CONTAINS $100 MILLION IN INCREASED FACILITIES AND LABOR COST-SHARING FOR U.S. FORCES. ALTOGETHER, JAPAN WILL SPEND $2.5 BILLION ON BEHALF OF 55,000 U.S. SERVICE MEMBERS IN JAPAN IN 1988, MORE THAN $45,000 PER PERSON, ONE OF THE MOST GENEROUS HOST NATION SUPPORT ARRANGEMENTS THE U.S. ENJOYS ANYWHERE IN THE WORLD. ON 8 JANUARY 1988, THE GOVERNMENT OF JAPAN ANNOUNCED PLANS TO INCREASE LABOR COST SHARING, EVEN FURTHER IN 1989 AND 1990.

OUR MILITARY CONSTRUCTION REQUEST OF $27 MILLION FOR JAPAN IS MODEST COMPARED TO JAPAN'S EXPENDITURES OF $650 MILLION FOR U.S. FACILITIES IN 1988. OUR REQUEST REPRESENTS A SMALL BUT VISIBLE MEASURE OF OUR CONTINUED COMMITMENT TO THE ALLIANCE.

THE FY89 MILITARY CONSTRUCTION REQUEST FOR KOREA IS $134 MILLION. THE FOCUS IS ON SUPPORT FACILITIES: AMMUNITION AND FUEL STORAGE, AIRCRAFT SHELTERS, MAINTENANCE FACILITIES AND MEDICAL FACILITIES.

WHILE THERE IS A WIDE DISPARITY IN ECONOMIC PERFORMANCE BETWEEN THE REPUBLIC OF KOREA AND THE COMMUNIST NORTH, THE THREAT FROM NORTH KOREA REMAINS REAL AND TROUBLING. OUR COMMITMENT OF FORCES AND RESOURCES ON THE PENINSULA, COMBINED WITH THE GROWING CAPABILITIES OF ROK FORCES, TESTIFIES BOTH TO THE STRENGTH OF THE ALLIANCE AND VIABILITY OF THE CONCEPT OF SECURITY COOPERATION. THIS MESSAGE HAS NEITHER BEEN LOST ON OUR REGIONAL FRIENDS NOR OUR ADVERSARIES. WITH THE APPROACH OF THE SEOUL OLYMPICS, OUR VIGILANCE IS SHARPER; OUR COMMITMENT IS ALL THE MORE FIRM. BUT AS IN THE CASE OF JAPAN, WE CANNOT AND WILL NOT SUSTAIN THIS ALLIANCE ALONE. KOREA HAS CONTRIBUTED AND CONTINUES TO CONTRIBUTE TO OUR PRESENCE BY:

-- PROVIDING THE USG WITH RENT-FREE BASES, REDUCED WATER AND ELECTRICITY RATES, AND 3,000 KOREAN SERVICE CORPS LABORERS.
-- PURCHASE OF A HIGH PERCENTAGE OF ITS MILITARY EQUIPMENT AND MATERIAL FROM THE U.S. TO MAINTAIN INTEROPERABILITY OF FORCES.
-- FUNDING CONSTRUCTION COSTS UNDER THE COMBINED DEFENSE IMPROVEMENT PROJECTS (CDIP) OF $695 MILLION OVER THE LAST 12 YEARS.
-- PROVIDING ABOUT 7,200 KATUSA (KOREAN AUGMENTATION TO U.S. ARMY) PERSONNEL WHO SERVE 30 MONTHS WITH U.S. UNITS. THE U.S. PAYS THEIR LIVING EXPENSES WHILE ROK PROVIDES SALARY AND BASIC TRAINING.
-- SHARING THE COSTS OF COMBINED HEADQUARTERS ACTIVITIES. ADDITIONAL SHARING OF SUPPORT COSTS SUCH AS COMMUNICATIONS IS UNDER NEGOTIATION.

FOR THE PHILIPPINES IN FY89, OUR MILITARY CONSTRUCTION REQUEST IS $61 MILLION PLUS $20 MILLION FOR FAMILY HOUSING. THIS CONSTRUCTION INCLUDES A POWER PLANT AT SUBIC NAVAL BASE AND SECURITY, MAINTENANCE, AND SHELTER FACILITIES AT CLARK AIR BASE.

THE TRAGIC DEATHS OF THREE AMERICANS AT THE HANDS OF ASSASSINS LAST OCTOBER ONLY UNDERSCORES THE NEED FOR ADDITIONAL BASE HOUSING AT CLARK. EVERY FAMILY WE CAN MOVE FROM THE PHILIPPINE RENTAL MARKET AROUND CLARK TO ON-BASE HOUSING MARKS A REDUCTION IN THE RISKS TO AMERICAN SERVICEMEN AND WOMEN AND THEIR FAMILIES. MEANWHILE, OUR COMMANDERS CONTINUE TO WORK CLOSELY AND ACTIVELY WITH FILIPINO AUTHORITIES IN THE AREA OF LAW ENFORCEMENT, INTELLIGENCE SHARING AND OVERALL COMMUNITY RELATIONS IN AN EFFORT TO PRECLUDE OR MINIMIZE SUCH INCIDENTS.

UNDER THE MUTUAL DEFENSE TREATY OF 1951, WE ARE COMMITTED TO ASSIST IN THE DEFENSE OF THE PHILIPPINES. OUR BASES IN THE PHILIPPINES ARE VISIBLE EVIDENCE OF THIS COMMITMENT, AND OF OUR BROADER INTENT TO PROVIDE A REGIONAL SECURITY PRESENCE IN SOUTHEAST ASIA. SUCH FORWARD DEPLOYMENTS DIRECTLY SERVE OUR NATIONAL

SECURITY INTERESTS BY SECURING THE AIR AND SEA LANES OVER WHICH MUCH OF OUR TRADE FLOWS, AND BY PERMITTING THE GROWTH OF OUR FORWARD DEPLOYED FORCES, ALSO INSTILL CONFIDENCE IN OUR FRIENDS AND ALLIES IN THE WESTERN-ORIENTED INDEPENDENT STATES IN THE REGION. FURTHER, THIS PRESENCE TAKES ON ADDED IMPORTANCE CONSIDERING THE SOVIET NAVAL AND AIR PRESENCE AT CAM RANH BAY AND THE THREAT THIS POSES TO THE VITAL SEA LANES.

MR. CHAIRMAN, I HOPE THAT I HAVE LEFT THREE DISTINCT IMPRESSIONS WITH YOU THIS AFTERNOON ABOUT OUR MILCON PROJECTS. FIRST, IN SUPPORT OF OUR NATIONAL SECURITY OBJECTIVES, THESE PROJECTS ARE NECESSARY. SECONDLY, THE COST OF THESE FACILITIES IS NOT AN INVESTMENT, BUT A COST OF DOING BUSINESS AS AN ELEMENT OF OUR STRATEGIC POSTURE, AND FINALLY, IN THE EVER MORE COMPLEX WORLD IN WHICH WE MUST WORK, WE LOOK VERY CLOSELY AT OUR ACCESS RIGHTS AROUND THE WORLD, EVALUATING OUR RELATIONSHIPS CONSISTENT WITH U.S. STRATEGIC INTERESTS, AND SEEK THE BEST ARRANGEMENTS WE CAN GET WHILE ALLOWING FOR THE UNCERTAINTIES OF THE GLOBAL ENVIRONMENT.

WE SOLICIT YOUR SUPPORT FOR OUR BASING NEGOTIATIONS AND OUR MILCON PROGRAMS THAT SUPPORT OUR NATIONAL SECURITY OBJECTIVES.

JAPAN AND KOREA

Senator DIXON. May I just ask you before we even start the questioning, are you saying that my questions regarding Korea, Japan, and other things should all be done in the classified session?

Mr. WIGG. No.

I think that questions regarding Japan and Korea, we can probably cover here. What I would give you on Central America and so on would be up to date situation reports, based on today's events, and so on.

Senator DIXON. All right.

Let me say that if I start off with something that seems like we are going in the wrong direction, just tell me and I'll wait until we go into closed session.

Admiral Woodworth, thank you very much for your patience.

Ambassador WOODWORTH. Oh, no, not "Admiral." "Mr." Woodworth is good enough.

Senator DIXON. I mean Ambassador Woodworth.

Ambassador WOODWORTH. "Mr." is good enough.

Senator DIXON. You know, "Admiral" is not bad.

Ambassador **Woodworth**. No, "Admiral" is not bad. Actually, if I were military, I might even choose "Admiral" if I could get it, and that is no offense to anyone who is a General, either. [General laughter.]

Senator **Dixon**. I was a bathtub sailor and have always had a high regard for admirals. [General laughter.]

Please go ahead.

STATEMENT OF AMBASSADOR JOHN A. WOODWORTH, DEPUTY ASSISTANT SECRETARY OF DEFENSE (EUROPEAN AND NATO POLICY), OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE FOR INTERNATIONAL SECURITY POLICY

Ambassador **Woodworth**. Let me be brief as well, because I understand that our time is short. I think that is correct, isn't it?

Senator **Dixon**. Yes.

I would like to be out of here by 4, if you don't mind. I am stacking up people.

I think we will make that without any difficulty.

Ambassador **Woodworth**. Yes, sir.

I have a prepared statement which has been brought forward to you. I understand that it came up a bit late and I want to apologize for that.

But, if I could, I would submit that for the record.

Senator **Dixon**. Thank you. We will place it in the record, and if Mr. Wigg has a statement, we will do that as well for him.

BURDENSHARING

Ambassador **Woodworth**. That statement addresses, in a broader sense, the whole issue of burdensharing, as well as base rights issues in Europe. Let me just say a few words on the burdensharing issue.

In many respects, the base rights issues that we now face in Europe we see in a larger context that includes burdensharing and other things as well.

On the burdensharing issue, as you know, this is a matter of prominent concern in Congress and, of course, elsewhere. I want just to mention that we, in the administration, are giving that some special attention now.

As you may know, Secretary Carlucci has established some new arrangements in the Department of Defense and we are also extending beyond the Department of Defense to give special attention to this overall issue, so that we can bring together in more coherent and coordinated fashion our efforts to deal with the large question of the roles, risks and burdens that are shared and borne by ourselves and our allies in meeting our security obligations in the NATO alliance.

With that, let me just mention we recognize that many of the basing issues we face, in particular in the Southern Flank of NATO, have been closely linked and perceived as burdensharing issues. I need only cite the issue of the 401st, which, as you know, is being removed from Spain, and we are making efforts to relocate that.

In other cases, we have ongoing negotiations, as you know, with Greece. We will soon be entering into consultations with the Portuguese. We have recently completed renewal of our basing agreements with Turkey. They have, as you know, ratified that agreement, and so, in that respect, we are on a solid foundation.

What we have as a part of the fallout from our negotiations with Spain, and the 401st—we are discussing with our allies as well—is where and how we might relocate the 401st.

All of these issues have important bearing not only on meeting critical NATO concerns and objectives, security objectives, but how we in the United States, in general, and Members of the Congress, view the willingness and, in fact, the ability of our allies to share in the burdens and help us meet those joint responsibilities.

So, perhaps I can leave it at that and we can proceed with specific questions which you might have and go into any detail that you wish.

[The prepared statement of Ambassador Woodworth follows:]

STATEMENT OF
JOHN A. WOODWORTH
DEPUTY ASSISTANT SECRETARY OF DEFENSE
OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE FOR INTERNATIONAL SECURITY POLICY

Mr. Chairman, members of the subcommittee: I appreciate the opportunity to appear here today to discuss burdensharing and base rights within the NATO Alliance. We do indeed take these issues seriously and we are working to find new ways to enhance the sharing of roles, risks, and burdens with our allies.

The United States is a global power and faces many threats to its interests, but, as Secretary Carlucci recently noted, we are fortunate because we do not have to defend these interests nor pursue the causes of freedom and world peace alone: we do so with the cooperation and assistance of our many friends and allies. Indeed, without the active support of our friends and allies we could not adequately protect our interests, or we could do so only at far greater cost and risk to ourselves.

The contributions of our friends and allies are sometimes perceived as neither timely nor sufficient. I am not here to tell you that this perception is entirely unwarranted, although we do firmly believe that our allies make a substantial contribution to the common defense -- considerably more than is generally recognized. At the same time, we recognize that they can and should do more, especially those nations whose performance is well below the average.

Our allies must accept their full share of the roles, risks, and burdens of the Alliance. Without both the fact and perception of an approximate fairness in the distribution of the defense burden an Alliance of free and independent nations, such as NATO, cannot long endure. To ensure such a result is a difficult task. Alliances and partnerships among sovereign states, each with unique interests and perspectives, are difficult to mobilize for concerted action. But with vigorous leadership on our part, I am confident that we can achieve a result that will be acceptable to all interested parties.

The Department works continuously to improve and refine the means we have available to us to measure and promote equitable burdensharing. Our major annual report to the Congress on Allied Contributions to the Common Defense should be forwarded shortly. An unclassified version of this same report will be available next month.

The report describes and analyzes a variety of criteria relevant to the burdensharing equation, such as the percentage of gross domestic product that a nation allocates to defense, and the number of divisions or combat aircraft that a nation provides and maintains for the Alliance. Numerous other quantifiable as well as intangible factors are also taken into account.

We have long recognized that the importance accorded to our report depends entirely on the accuracy of its statistics and the rigor and objectivity of its analysis. The succeeding annual reports have been subjected to review and scrutiny by countless experts both within and outside the government, and we have been pleased with the reception accorded the document.

There can, of course, be honest differences of opinion about the relative importance of the various criteria that have been developed. Therefore, an element of judgment is involved in drawing conclusions about burdensharing performance. However, over the years we have sought -- I believe successfully -- to provide a comprehensive, accurate and objective report on this admittedly complex issue. Every effort was made to ensure that these high standards are maintained in the 1988 Report.

While the record of contribution to the common defense provides much in which we can take satisfaction, we believe that for the future, the Alliance -- including the US -- must do more in order to ensure the credibility of the West's security posture. We are working with our allies to increase their individual and collective efforts and to improve the efficiency of the Alliance's use of the resources available to it.

While real growth in US defense spending significantly exceeded the average growth rate of non-US NATO defense spending during the 1981-1986 period, estimated figures for 1987-1988 show that pattern is now reversed. US real defense expenditures are now declining while many of our allies show defense budgets that are growing at least modestly. This was also true during the decade of the seventies when US spending declined by 13.6%, while that of our allies increased by 20.3%. For 1987, several of our NATO allies estimated defense spending increases of about three percent or more, thereby meeting the NATO goal (Greece, Italy, Luxembourg, Norway, Spain, and Turkey). The United States increase for 1987 was only 0.1 percent and in 1988 will show a decline of about 3.2-3.4 percent.

There are other factors that must be considered in any comparison or analysis. For example, the majority of NATO committed military manpower is provided by the Europeans. Standing non-US NATO forces are about four million strong while United States forces number somewhat over two million. When mobilized strength is included, the non-US NATO allies outnumber the US seven million to 3.5 million. In a NATO war, 60 percent of the ground forces, over half of the air forces and some 35 percent of naval tonnage (including the United States Pacific Fleet but excluding strategic submarines) would be European.

Neither can we avoid the stark reality of Soviet military force in Europe: 70 percent of the USSR's conventional forces are available for use against NATO. The Warsaw Pact has a 2:1 advantage over NATO in main battle tanks. It has a 3:1 advantage in artillery and other armored vehicles, and more than a 3:1 advantage in surface-to-air missiles. A key objective appears to be to intimidate Western Europeans through their fear of war, so that the Soviet Union can neutralize and dominate those countries.

There is the risk of a premature, if not dangerous, euphoria over the prospects of Glasnost and the alleged defensive reorientation of Soviet forces. We have also been watching what is being said about a Soviet doctrinal concept of "reasonable sufficiency" by various Soviet leaders and writers. They appear to be suggesting that such a doctrine might permit shifting some resources from the military to the civilian sector.

At this point it is too early to conclude whether this Soviet discussion or debate is primarily a propaganda effort to portray the Soviet Union as peaceful and defensive, or whether it portends possible changes in Soviet military force posture, military investment and spending. Consequently, we must continue to look at the hard facts:

-- Soviet forces are offensively oriented and generally outnumber those of NATO.

-- Soviet military planning, instead of emphasizing defensive operations, calls for early and decisive offensive operations and the seizure of enemy territory.

-- During General Secretary Gorbachev's first two years in power, Soviet military spending and investment in military forces have increased. The Soviets have continued to allocate about 15-17 percent of the GNP to the military, and military spending has increased about three percent a year.

We believe that the inescapable conclusion is that we all -- US and allies alike -- must maintain our vigilance and defense capability for the foreseeable future, and that further progress in arms control will depend on our ability to maintain a credible nuclear and conventional defense posture.

While we remain convinced that all the allies should commit more to defense, we also recognize that we can buy more security with the funds available. For example, greater cooperation among NATO nations in all aspects of our defense programs -- from research to development to production -- has great potential.

Armaments cooperation, properly pursued, reduces wasteful duplication in the use of R&D resources and increases the efficiency of defense production through economies of scale. Further, it generates standardized and interoperable equipment, an important gain for nations that would fight on the same battlefield against a common enemy.

The U.S. Congress has taken the lead in recent years through the 1985 Nunn Amendment, which authorized $200 million for cooperative R&D and $50 million for comparative test and evaluation with NATO countries. Memoranda have now been signed on 12 Nunn Amendment-funded projects, and others are under consideration. Of the programs with signed memoranda, funding shares identified show a European commitment to fund two-thirds of the development.

The NATO Common Funded Infrastructure Program offers additional opportunities to make better use of the limited funds we have available and is an important element in the burdensharing equation. The program also plays an important role in our effort to narrow the conventional capabilities gap. The US contributes some 28 percent while our NATO allies jointly share the remaining 72 percent of the costs of the program. Some 30-40 percent of the funds support specific US force requirements. An additional 25-30 percent of the program provides for joint use of facilities and equipment that contribute to the basic war fighting capability of all allied forces.

Total funding for NATO infrastructure is now reaching nearly $1.8 billion annually. Roughly 90 percent of the program directly supports conventional defense improvements, such as protective aircraft shelters, essential operating facilities at air bases, materiel storage facilities, pipelines, reception facilities, and communications modernization programs. Other key projects are coming into being with increasing frequency.

We are also studying ways that we might further expand the usefulness of this important common-funded program. But we do not advocate common funding of certain types of projects such as barracks, dining halls, family housing, and other personnel support facilities. The potential costs associated with the provision of similar facilities for other nations and wide variations in national standards render NATO common funding of such projects not only impractical, but economically imprudent.

Facilities of this type are better and more economically provided through U.S. military construction programs.

For the Fiscal Year 1989 Amended Budget, US funded construction requirements in Europe and Iceland total $1.1 billion, including $502 million for the US contribution to the NATO Infrastructure Program.

The improvement of working and living conditions in Europe continues to be a high priority goal with almost one-half of the construction budget devoted to these programs. The FY 1989 budget requests $92 million for personnel and community support facilities including child development centers, barracks, dining halls, physical fitness centers, and family housing. Dependent schools account for $51 million of the budget and $95 million is required to satisfy US requirements for essential medical and dental support. An additional $54 million is for essential modernization and facility upgrade projects.

The Army has budgeted $44 million to continue modernization efforts at Vilseck, Germany and some $51 million for facilities to beddown the AH-64 Apache helicopter battalions. NATO Infrastructure eligibility is being requested for the helicopter facilities; however, MilCon funding must continue to meet critical deployment schedules. Facilities construction totaling $37 million is requested for the Army's Combat Maneuvering Training Center at Hohenfels, Germany which will provide critical assessments of combat readiness levels.

The Air Force continues to program projects that increase airfield survivability and operability. Projects for alternate combat runways, passive defense equipment storage, and the Weapons Storage and Security System (WS3) are included in the

FY 1989 request. NATO decisions on eligibility for the WS3 program should be known in mid-year.

We clearly need to continue to improve the Alliance's conventional force posture. Without seeking to match our opponents man-for-man or tank-for-tank, we want to improve NATO's capabilities so that it is clear that we would be able to frustrate a major Warsaw Pact offensive without the necessity for early recourse to the use of nuclear weapons.

In 1985, the Alliance launched a major initiative to improve conventional defense, primarily by concentrating on certain agreed critical deficiencies and designing active measures to correct or ameliorate those deficiencies. This commitment to a Conventional Defense Improvement (CDI) effort has now been incorporated into NATO's force planning process and serves to focus the wide-ranging activities of the Alliance and its member nations on those areas most needing attention.

Part of the European allies' contribution to the CDI effort consists of peacetime and wartime host nation support, which reduces the cost to the United States of combat forces committed to help defend NATO. Peacetime host nation support includes the joint use of installations where the infrastructure is provided by the host nation, including improvements to ports, roads and airfields in anticipation of wartime requirements.

Wartime host nation support to NATO is also substantial. The allies will operate over 70 collocated operating bases identified to support USAF CONUS-based reinforcements. Germany alone plans to provide 93,000 military personnel for the wartime host nation support of United States forces. Further civilian support will be provided from the German economy and will include functions such as the provision of transportation, maintenance, telecommunication services, facilities, civil labor expendable supplies and foodstuffs.

Another example of increased cooperation of our allies is the significant support they have provided for our successful Gulf policy. Some of our NATO allies -- notably the United Kingdom, France, the Netherlands, Belgium, and Italy -- are providing extensive naval support for these Gulf operations, including combatants, mine sweeping assets, and support vessels. In addition, Germany and Norway have augmented their Mediterranean assets, allowing us greater flexibility. Japan, too, is contributing funds for the installation of a Gulf navigation system which will assist all nations in those waters.

Finally, I should cite INF as an outstanding example of Alliance cooperation, and of sharing of risks and burdens. The agreed deployment of United States PERSHING II and Ground-Launched Cruise Missiles underscored the political will and determination which led to the successful negotiation of the INF Treaty.

The Treaty will significantly reduce military threats to NATO. Under its provisions the Soviet Union will eliminate forces with deployed missiles capable of delivering over 1,600 nuclear warheads. This includes shorter-range Soviet systems which also have conventional and chemical warfare capabilities. This will greatly reduce the Soviet Union's ability to execute rapid strikes throughout Europe without resorting to strategic systems. In addition to relieving pressures on our own nuclear forces and elements of their command and control, this will increase the survivability of the airbases, ports, depots, and other facilities vital to NATO's conventional defenses. Also, because many of the Soviet INF missiles can reach a large portion of Asia, the INF Treaty will enhance the security of our friends and allies in that part of the world.

In expectation of the ratification of the INF Treaty we are examining with our NATO partners how to make sure that our remaining theater nuclear forces are responsive, survivable and effective. In so doing, we will seek to ensure that the burden and risk of NATO's nuclear deterrent remains widely shared.

As noted in our report on Support of NATO Strategy in the 1990's (PL 100-180, the Byrd Amendment), the Alliance still faces the pressing need to revitalize and strengthen military capabilities in the 1990's, as was the case prior to the INF agreements. The nuclear and conventional modernization and improvement programs which NATO has under way are founded on consistent Alliance policy direction and extensive military planning.

With respect to nuclear forces, these requirements stem most directly from NATO's 1983 decision taken by Defense Ministers at Montebello to modernize NATO's theater nuclear force posture. The program calls for a range of measures to ensure that NATO's nuclear weapons are responsive, survivable, and effective.

NATO must continue with the modernization of its remaining nuclear forces. Programs which have high priority include: development of a dual-capable (nuclear-conventional) longer range follow-on to the LANCE surface-to-surface missile system; development of a tactical stand-off air-to-surface missile (TASM); modernization of nuclear artillery projectiles, dual-capable aircraft, and nuclear bombs; and continued improvement in nuclear security and survivability. None of these programs is constrained by the INF Treaty because the agreement does not limit systems with ranges less than 500 kilometers or dual-capable aircraft.

The NATO Nuclear Planning Group (NPG) is reviewing how the theater nuclear force posture might be further adjusted in light of the security situation following implementation of the INF Agreement. We are consulting with our allies in the NPG and will address such adjustments, which reinforce stability and NATO's force improvement programs.

With respect to conventional forces, the need for substantial improvements was well established long before the Soviets returned to the INF negotiating table. Areas of continuing need covered by the CDI effort but which may be particularly relevant to the post-INF situation include reinforcement, Follow-on Forces Attack (FOFA), and the counter-air mission in all its dimensions. Moreover, given the massive Soviet chemical arsenal, modernization of US retaliatory chemical weapons also is crucial to our ability to deter at any level of conflict. In addition to pressing ahead with these and other ongoing programs, we will explore certain adjustments to our conventional force structure as well as new initiatives for strengthening flexible response. For example, we will vigorously pursue the potential for longer range air- and sea-launched cruise missiles for a wide range of missions.

Ultimately, the strength of our military posture will depend on whether NATO nations will sustain the political will to take steps necessary to ensure their security. To strengthen our security posture and to maintain the effectiveness of the Alliance as it enters its fifth decade, NATO political and military leaders will have to work harder at not letting our citizens forget the basic lessons we have learned about Soviet respect for strength and how they are prepared to exploit weakness.

At the same time we need to find new ways to enhance the sharing of roles, risks, and burdens with our allies. The President raised this issue at the recent NATO Summit in Brussels, and we intend to follow up with a vigorous effort with all of our Alliance partners. We are now exploring a number of substantive initiatives and procedural options and we will keep the subcommittee advised as the matter progresses.

As part of our strategy of forward defense, the US has maintained military facilities in various strategic locations throughout the world. The military installations we use in NATO's southern region contribute directly to our ability to perform our roles and missions. The following is a brief summary of the status of our base rights in the southern region:

Spain. The US maintains the following military facilities under the 14 May 1983 Defense and Economic Cooperation Agreement that expires in May of 1988: Torrejon AFB - 401st Tactical Fighter Wing (79 F-16s), MAC terminal and 16th Air Force Headquarters. Zaragosa - Use of gunnery range for European-based US air crews and operations for KC-135 tankers. Rota - Naval facility and runway. Moron - Standby air facility. Current negotiatins for renewal of the 1983 agreement began in July of 1986. A key unresolved issue stems from the Spanish insistence on withdrawal of the 401st TFW from Torrejon, to which we acceded in January. Our NATO allies consider it very important that this valuable military capability remain in Europe, and we are exploring possible ways and means of doing this, consistent with the conditions imposed by the Congress. We are hopeful that negotiations can now be rapidly concluded for the remainder of the facilities.

Portugal. Pursuant to the 1983 base agreement, the US maintains an air base at Lajes in the Azores and intends to construct a space surveillance facility on the mainland. Under the terms of the agreement, which expires in February of 1991, the Portuguese can ask for a review of the agreement in 1988. The new Portugese government has indicated its dissatisfaction with reductions in the US Security Assistance Program that was cut from $125M to $80M in FY 1987 and to $82.5M in FY 1988 and has called for "consultations," which we expect to begin soon.

Greece. The US maintains an air facility at Hellenikon, a communications station at Nea Makri, a reconnaissance operation at Iraklion, and a logisitic support facility at Souda Bay. Renegotiation of the agreement, which expires 31 December 1988, began in November and is continuing. Prime Minister Papandreou has indicated that once an agreement is reached, he intends to hold a referendum to gain popular approval.

Turkey. The US maintains an air facility at Incirlik, and elsewhere in country a Loran C Station, communications facilities, and intelligence and seismological stations under an agreement signed in March 1987. Ratification of the agreement was postponed, however, because of Ankara's concern with legislation pending in the U.S. Congress, e.g., Armenian Resolution, 7-10 ratio applied to the Southern Region agreement, resolutions on Cyprus, and likely cuts in security assistance. The DECA was subsequently ratified in February of this year.

While under terms of our new agreement Spain will no longer be provided security assistance, there is no question that Turkey, Portugal and Greece will continue to look to the US for augmentation of their own sizeable contributions to Western security - and as a good friend and ally, this should seem both proper and fair to us. Indeed, the provision of necessary and added support to enhance the ability of these countries to meet their NATO assigned missions is directly linked in the mind of their officials and public opinion to their participation in the Alliance.

Recent Congressional emphasis on deficit reduction has required us to explore ways to augment our security assistance to these allies. The Southern Region Amendment to the Defense Authorization Act for FY 87 permitted the US to provide defense materiel to Greece, Portugal and Turkey that was excess to the needs of the US military forces. Two tranches of equipment have been offered these countries to date, and a third is being prepared. We believe that the SRA is providing a substantial boost to our efforts to strengthen Southern Flank conventional force capabilities. However, while this legislation can supplement our present support, it does not lessen the need for adequate levels of security assistance.

It is also our policy to encourage these three allies to help themselves. With this in mind, we are seeking ways to assist them in developing their indigenous defense industrial bases so that they can participate more fully in armaments cooperation and coproduction programs. We view security assistance and arms cooperation programs for the Southern Flank countries as going hand-in-hand. While security assistance to obtain equipment is necessary to strengthen current capabilities to meet the threat, additional assistance will remain necessary to foster indigenous capabilities wherever practicable. We have also encouraged the provision of assistance from the other NATO allies and many have at various times responded with programs of their own. We will continue to call for such assistance in the future.

Mr. Chairman, that concludes my prepared statement, and I look forward to responding to the subcommittee's questions.

Senator DIXON. Great.

I appreciate that. Again, may I say to you, Mr. Woodworth, if I come upon things that you think are best discussed in the classified session, we will take about the last 15 minutes to spend on that, if you don't mind.

Ambassador WOODWORTH. Okay.

U.S. MILITARY FACILITIES IN JAPAN

Senator DIXON. Secretary Wigg, in your statement you say that the Government of Japan is providing $650 million for U.S. military facilities in 1988.

I note that only $16 million in U.S. construction was approved in fiscal year 1988, and $27 million requested for fiscal year 1989.

Could you provide the subcommittee a breakdown of the $650 million in Japanese support? How much of it is actually facility construction? How much is for other support elements?

Mr. WIGG. The program you are referring to is the FIP, or the Facilities Improvement Program. That is focused primarily on family housing, bachelor quarters, dependent schools and medical facilities.

The Japanese do not spend those funds directly on combat-related facilities, in part because they have a constitutional problem connected with certain types of military spending or military budgeting. But that is just one aspect of it. That is not the entire thing.

Senator DIXON. Let me see, now. The Koreans and the Japanese are exactly opposite.

The Japanese won't spend for it if it is for combat, and the Koreans won't spend for it unless it is for combat—have I got it right?

Mr. WIGG. Yes.

Senator DIXON. Yes, we went through that here.

Mr. WIGG. Now, the total Japanese contribution is about $2.5 billion, in direct spending and equivalent spending. So that is the aggregate program. This is just one subcategory of that.

MISAWA AIR BASE

Senator DIXON. Are you familiar with the Misawa Air Base situation? It took $4.7 million in U.S. funds last year to build a new medical facility. We are wondering why that was not funded by the Japanese.

Could you enlighten us?

Mr. WIGG. Let me ask Mr. Flora if he has anything specific there.

Senator DIXON. Would you give your name for the record, please, sir, when you answer this question.

Mr. FLORA. My name is Gary Flora, and I represent the Air Force Engineering Services.

Senator DIXON. The question is why did the Japanese not fund the $4.7 million for Misawa Air Base medical facilities.

Mr. FLORA. Sir, that could have been a contingency hospital. If it was a contingency hospital, we normally fund those. But we will have to check that one out for you.

Senator DIXON. Well, I want to say that we live with the rules and I understand what the rules are in Japan, and I understand what the rules are in Korea. We try to find a rational explanation for why we are spending the money that we think, under the rules, they ought to be spending the money on.

My staff suggests that Misawa Air Base looks like the kind of thing under the rules that they ought to pay for.

I guess the point here—maybe people think we are nickel and diming it. But, you know, we are getting to the point now where this budget and the shape it is in, where we start to prioritize things, it is pretty tough to find the money. And so, frankly, we are looking at these things and maybe more closely than candor would require me to say some committees did in the past.

Could you give us an explanation later that is a rational explanation of why that occurred?

Mr. FLORA. Yes, sir.

We would be glad to do that.

[The information follows:]

A replacement 121,000 gross square foot hospital providing 25 in-patient beds has been submitted to the Government of Japan for funding under the Japanese Facilities Improvement Program (JFIP). This project has an estimated construction cost of $27 million and is expected to be funded in the fiscal year 1990 JFIP. The additional $4.7 million (fiscal year 1988 approved) is to fund project requirements that are not eligible for funding under JFIP and are normally provided for in U.S. medical facilities.

Senator DIXON. Mr. Wigg, once a project is agreed to by the United States and the Japanese, who is responsible for any associated land purchase or any other siting decisions?

Other than for functional reasons, does the United States get involved in siting decisions?

Mr. WIGG. Well, we have a number of relationships whereby the Japanese are involved in those decisions. In some cases, where we are originally located, they will make arrangements to relocate a facility, if that is appropriate, at their expense.

In the case of new facilities, I am not familiar with the specifics of the responsibility. I am sure that we could get that information for you.

Senator DIXON. I would appreciate it if you could provide it, and you can provide it later.

[The information follows:]

Where acquisition of land is required it is the responsibility of the Japanese. Once our requirements are made known, the administrative and fiscal details of the acquisition are solely the responsibility of the GOJ, and the action is accomplished under Japanese law.

Senator DIXON. I am leading into another question. If you would remember, or your staff, to respond to that, we would appreciate it.

Mr. WIGG. Yes.

5-YEAR AUDIT OF UNITED STATES/JAPAN MILITARY CONSTRUCTION

Senator DIXON. Then, in addition, for the record, would you provide us with a 5-year audit of U.S. and Japanese military construction so that we can understand the proportion each plays in meeting our facility needs and the specific projects which the Japanese have funded?

That will help us in the future, in a prospective way.

Would you do that?

Mr. WIGG. Certainly.

[The information follows:]

The last 5-year U.S. MilCon and Japanese Facility Improvement Program (FIP) construction programs were funded at $200 million for the MilCon and at $1.639 billion for the FIP. Over $8 by the Japanese Government for every one of ours. The list of Japanese funded projects is over 800 items long and will be provided to the committee separately. A profile of the funding for the last 5 years is as follows:

[Dollars in millions]

	1984	1985	1986	1987	1988	Total
MilCon	$33.36	$62.49	$51.12	$37.28	$16.18	$200.43
FIP	285.00	285.83	320.85	353.06	393.83	1,638.57

FIP funding converted at a constant rate of 220 Yen/dollar.

KOREA

Senator **Dixon**. Now I am going to turn this the other way around and stay with you for a minute, Mr. Wigg, on Korea.

My understanding is that the eligibility criteria for Korean construction funding under the combined defense improvement projects focuses on requirements which directly relate to combat capability. Yet, you characterize most of the $134 million in the fiscal year 1989 military construction request as combat related.

Why is the U.S. Government not pressing the Republic of Korea to finance projects for "ammunition and fuel storage, aircraft shelters, maintenance and medical facilities?"

Do you understand the nature of my question?

Mr. **Wigg**. Yes. Why are we not extending the Korean contribution beyond specifically combat-related things?

Senator **Dixon**. Yes.

Why are we not pressing them in respect to these things that we think are combat-related?

Mr. **Wigg**. Well, I think the understanding that we have with them is that they do, the Korean contribution is, in fact, ranked so that the combat-related expenditures come first. If you see cases where this does not appear to be the case, I can have someone look at that.

I am not familiar with the specifics that you mentioned.

I don't know whether Mr. Flora is.

Mr. **Flora**. Well, we have certainly built a lot of combat-related facilities, the United States has, and the Koreans have, on a more limited sense, built, or participated in building, combat-related facilities.

Now, their share has not been anything near what we have contributed. The reason for that I don't know. I don't know the answer to it.

Senator **Dixon**. Do you know how many military dependents we have in Korea?

Mr. **Wigg**. I have the number somewhere.

Senator **Dixon**. If you could supply that, Mr. Wigg, that would be adequate.

Mr. **Wigg**. Yes.

[The Information follows:]

The U.S. forces have 14,666 dependents in Korea. Of these 6,173 are command-sponsored.

Senator **Dixon**. Then we would like to know how does their presence impact military construction requirements—for instance, the $60 million in medical construction and the $9.3 million in dependent school construction requested for fiscal year 1989, not to mention other morale and welfare facilities? Does the Department of Defense review command proposals to extend accompanied tours to previously unaccompanied overseas areas?

Mr. **Wigg**. I'm not sure that I understood your question.

Do we extend the tours?

Senator **Dixon**. Does the Department of Defense review command proposals to extend accompanied tours to previously unaccompanied overseas areas?

Mr. **Wigg**. I believe we do. Yes.

AUDIT OF U.S./DCIP CONSTRUCTION PROJECTS

Senator **Dixon**. For the record, would you also supply this: please provide the subcommittee a 5-year audit of U.S. and DCIP construction projects, so that we can understand what has been constructed by the Koreans and what has been financed by the United States.

Mr. **Wigg**. Okay. Yes, we do have that information.

Senator **Dixon**. Good.

[The information follows:]

Over the past 5 years the U.S. Milcon has funded $759 million and the Korean Government has funded construction under the Combined Defense Improvements Projects (CDIP) program in the amount of $206 million. A yearly summary is as follows:

[Dollars in millions]

	1984	1985	1986	1987	1988	Total
MilCon	$135.90	$179.19	$175.12	$167.03	$102.11	$759.14
CDIP	68.00	30.00	24.60	43.70	40.00	206.30

Senator **Dixon**. Now, if you would be so kind, Mr. Wigg, I have some other questions here which are rather detailed and long. I think I will wait until later and ask you to supply those in writing, if you will.

Mr. **Wigg**. That is fine.

INF INSTALLATIONS

Senator **Dixon**. Mr. Woodworth, we have recently been informed of the U.S. Navy's proposal to reuse the INF base at Comiso, Sicily.

What is the procedure through which the reuse of the INF installations will be determined? If the United States is not able to reuse these bases, will we be reimbursed for the facilities which we have constructed on them?

Ambassador **Woodworth**. Let me try to answer that in the first instance in a general sense, and then, if any of our other backup people wish to add to that, they might do so.

Basically, what we do with these bases will be determined by three parties, if you will: one, the United States, as the current tenant, if you will; second, the host nation; and, third, the NATO alliance, since these bases, many of the facilities at those bases, have been funded by the alliance, through the Infrastructure Fund.

As these questions stand now with respect to the specific bases, I am not aware that specific decisions have been taken with respect to any of the bases. I know that is true with respect to Comiso. But these matters are being looked at by EUCOM, and there will be consultations, of course, with the interested parties that I have just described before any decisions would be made.

Essentially, that would be the procedure. But the command would, of course, decide what kind of purposes they might find useful for the bases, and then those consultations would take place and decisions then would be made.

I don't know if anyone else would respond.

Senator DIXON. Would you mind identifying yourself for the record so that we will know who you are?

Colonel FRANKLIN. I am Col. Carl Franklin, Deputy Director for Bases in the U.S. Air Force Programs.

As Ambassador Woodworth noted, we are in the process at this time of examining how we might effectively utilize those facilities for other missions in theater currently. Of course, it will be appropriate in Comiso to consult with the Italians to ensure what missions will be useful there that will meet their agreement, as we did when we initially put our GLCM base there.

Some of the bases we will turn back to the host nation because we have already determined that it might not be appropriate for us to move other missions, other activities there, because of the state where we are in construction and the development of the base operations support (BOS) and the fact that it would be too costly for us to utilize the facilities.

Obviously, as you have noted previously, we recognize the very sensitive fact that we must be very judicious in our use of funds in those areas because we are going very close in our use of the money that is granted to fund and operate those facilities.

Senator DIXON. Thank you, Colonel.

For the record, Mr. Woodworth, would you answer in due course this next question—just supply it later?

The prospective ratification of the INF Treaty will cause a significant rebasing of forces within NATO. Both the United States and NATO have made very significant investments in these facilities. So, for the record, can you provide the committee an audit trail of the amounts and kinds of construction which the United States and NATO have financed at each of the INF installations?

Ambassador WOODWORTH. Yes, sir. We will do that.

Senator DIXON. We are going to give you some other follow-up questions, if you don't mind, in due course.

I wonder now if we could get the room cleared so that we can have a very short, classified, portion of this hearing.

Then I will be able to send you folks along I think well before 4 o'clock. I thank you again for your patience and apologize once more for the several interruptions which occurred which, had there been another member here, we would have tried to stagger our voting so that we could keep you going to get you out of here more expeditiously.

[Whereupon, at 3:49 p.m., the subcommittee recessed, to reconvene in classified session.]

CLASSIFIED SESSION

The subcommittee met in classified session at 3:40 p.m. in room SR-222, Russell Senate Office Building, Senator Alan J. Dixon presiding.

Present: Senator Dixon.

Staff present: Robert E. Bayer, Richard D. Finn, Jr., Judith A. Freedman, George K. Johnson, Jr., and David S. Lyles, professional staff members; Mary J. Kampo, staff assistant.

Also present: Charles C. Smith, assistant to Senator Dixon.

AGREEMENTS WITH MIDDLE EAST, AFRICA AND SOUTHWEST ASIA

Senator DIXON. Mr. Wigg and Mr. Woodworth, if you could both just address this separately, and you can take whichever order of response you want to. Would you each address our access agreements with Middle East, African, and Southwest Asian nations, particularly those at which we have or are requesting construction of logistics facilities.

Mr. WIGG. Yes. certainly. In the Middle East what we have are a series of access agreements, rather than base facilities themselves.

Are you referring to the MilCon request or would you like the general relationship that we enjoy with the country?

Senator DIXON. What military construction?

OMAN

Mr. WIGG. For Oman, we are requesting almost $10 million in fiscal year 1989. This will be funding for approach lighting facilities at Masirah and jet fuel storage at Seeb. Both of these facilities we feel are essential for our readiness and force projection roles in the region.

Our access agreement in Oman has a term of 10 years, after which it continues until either party terminates it with 1 year's notice. The earliest it could terminate is 1991.

We have not requested new funds for Morocco, Egypt, or Tunisia, but I think we might want to make a few comments about Morocco. It is a very important facility. We have a formal access and transit agreement there, and the projects approved for fiscal years 1985, 1986, and 1987 will provide fuel storage and airfield improvements to enhance our en route airlift capabilities.

We are continuing to explore the feasibility of using some of Morocco's excellent and underutilized facilities to expand our exercise options in the region. [Deleted.] In this case, the facility will store theater-ready end items.

The Army has been looking for a place to put this for some years. [Deleted.] So we feel this is a superior alternative.

[Deleted.]

Senator DIXON. My staff says there are [deleted] facilities programmed in the Middle East at classified locations and asks that you explain—and you may do that at your convenience later for the record—the legal framework for this construction and the function of these facilities, if you would provide that.

[The material follows:]

The facilities in the program are warehouses required to preposition medical contingency hospitals in the area and which would provide medical support in the event of a contingency. The warehouses would provide the necessary dehumidification, cooling, fire protection and security for the prepositioned equipment. Memorandums of understanding have been signed with the host nation supporting the initiative and providing the sites.

Senator DIXON. Now, is there anything else in Africa or the Middle East or in Southeast Asia that you want to mention, Mr. Wigg?

Mr. WIGG. [Deleted] we do not have any requests in for expanded activity there for fiscal year 1989.

Senator DIXON. If you would provide any other information that afterthought may present to you.

And Mr. Woodworth, do you have anything on those three subjects?

Mr. WOODWORTH. No, Mr. Chairman. My area of responsibilities does not go into those regions.

Senator DIXON. Fine.

Well, Mr. Woodworth, when you are not expecting a question, obviously I would not have the file either. So if you will provide it at your convenience. Again, the question is: Would you each address, in this case would Mr. Wigg address, our access agreements with the Middle East, Africa, and Southwest Asian nations, particularly those at which we have or have requested construction of logistics facilities?

My office will be glad to supply you with the exact nature of the question if you need it.

Now, what is the basis for the modest U.S. military presence in Thailand? What are the missions there, and how are the costs shared with the government there? Whichever one of you would be appropriate to answer that. I presume it would be Mr. Wigg.

Mr. WIGG. Yes. I think I might call on one of the people I have here for Thailand.

Senator DIXON. If you do not have the information, you can supply it later. Do not be embarrassed about that.

Mr. MURPHY. I could comment. I am Mr. Murphy with the Navy.

We do conduct, periodically, training operations jointly in Thailand using some of the facilities at Sattahip that were constructed 20 years ago. These facilities are there and we are entitled to take advantage and use them for our routine training exercises.

Senator DIXON. OK. If there is any further information that you can supply, we would like to have that. And would you mind giving your full name to the reporter for the record.

Mr. MURPHY. Yes, I am Mr. Raymond Murphy from the Office of the Chief of Naval Operations.

Senator DIXON. I thank you, Mr. Murphy.

Mr. Wigg, I understand that our long term tenure at Diego Garcia has been brought into question by a legal dispute between Great Britain, from whom we lease the island, and Mauritius. Can you provide us an assessment of this situation?

Mr. WIGG. I do have something on that, yes, if you will bear with me for just a second.

[Pause.]

Yes. I guess Mauritius asserts a claim to Diego Garcia, which was detached by the United Kingdom in order to form part of the British Indian Ocean territory. Our general relationship with the British in Diego Garcia is really very good. Our arrangement there runs until the year 2016 and then I believe is renewable for another 20 years.

Senator DIXON. Well, are we in any jeopardy as a result of this controversy?

Mr. WIGG. I do not believe so.

Senator DIXON. I wonder if you could supply us with additional information, after you have given it some thought, as to, you know, the question, being can you provide us an assessment of the situation. I would appreciate that.

Mr. WIGG. Yes.

AIRCRAFT CARRIER FORCE

Senator DIXON. Now, finally, there has been a good deal of discussion regarding the size of our aircraft carrier force. Early retirement of the U.S.S. *Midway*, which is home ported in Japan, has been discussed. We are informed that there might be a problem with stationing a different carrier at Yokusuka Naval Base. I hope I am pronouncing that fairly well.

What is the basis for this concern?

Mr. WIGG. I would have to defer to Mr. Murphy.

Mr. MURPHY. The *Midway* there in Yokusuka has been there for several years. It is one of our smaller decks. It is not what we would call a big deck carrier by any means. And as it might be replaced by a larger deck, we certainly would have the concerns of shoreside support—the power, what they call the cold-iron utility support.

If a larger hull were to go in there, we would definitely have to look at the facilities for the greater demand.

Senator DIXON. I am told that our agreement specifically says that we can have the *Midway* there, but we might have a problem, in view of the specificity of that agreement, with a substitution. Is that factual?

Mr. MURPHY. Sir, I would have to comment on that for the record. I really could not comment at this time.

Senator DIXON. I would appreciate it if you could give us later whatever you have there. There seems to be some concern here that we have a problem if we remove the *Midway*.

Can you elaborate on that at some future date?

Mr. MURPHY. Yes, sir.

Senator DIXON. We thank you, Mr. Murphy.

[The information follows:]

AIRCRAFT CARRIER HOMEPORTING IN JAPAN

The Mutual Security Agreement between the United States and Japan does not define the nature of forces to be stationed in Japan in support of mutual defense. Hence, the aircraft carrier U.S.S. *Midway* could be replaced, if necessary, without restrictions as to age, size, configuration, or other characteristics of the successor ship. If a change were to take place at a future date, Navy's concern would be that no "gap" occur in the assignment of a carrier to Japan to insure continuity of support functions.

Senator DIXON. Incidentally, Mr. Woodworth, feel free to chime in if you have any contribution that you feel you ought to be making here. I am not just beating up poor Mr. Wigg.

Ambassador WOODWORTH. Oh, I am rather enjoying it. [Laughter.]

CLARK AIR BASE AND SUBIC BAY NAVAL BASE

Senator DIXON. Mr. Wigg, we are almost finished here. There has been a great deal of interest in Congress and the media in the prospects for a long term tenure of U.S. forces at the major military installations at Clark Air Base and Subic Bay Naval Base.

Over $80 million in construction has been requested in the Philippines for fiscal year 1989. Representatives of the Pacific Command have testified that the command's highest priorities in that country are family housing at Clark and a new power plant at Subic.

In light of the ongoing negotiations with the government of the Philippines, why are our construction requests focused on such long term capabilities and why are we not focusing on more near term objectives, like providing limited protection for the valuable aircraft assets on Clark?

Mr. WIGG. I would have to defer to the services and the people who arrived at those judgments, Mr. Chairman. I think our relationship there is a rather complex one, and the money amounts involved are very large. These specific decisions I am not familiar with.

[Additional information follows:]

The answer to the first question, "Why are our construction requests focused on such long term capabilities?" is provided in two parts.

While we are sensitive to the possibility that ongoing negotiations with the Government of the Philippines could result in the partial or complete withdrawal of U.S. forces from the Philippines, we do not think that plans for military construction should be based on a presumption that these negotiations will fail. The growing strength of democratic institutions in the Philippines, coupled with an increasing focus on sovereignty issues, will make this round of negotiations more complex and perhaps more difficult than in the past. Nevertheless, the foundation of our security relationships with the Philippines, based as it is on enduring mutual interests, remains intact. Our planning should proceed on the assumption that these mutual interests will prevail, and will result in the successful renegotiation of our basing agreement with the Government of the Philippines.

Second, similar concerns on Clark's longevity during previous base rights negotiations severely reduced MilCon funding from 1973 to 1980. This had substantial impact, leaving Clark AB with the worst facilities in PACAF and possibly the Air Force. To meet operational needs and to remain at Clark, we must make a sizable long-term construction investments to replace the quonsets, World War I, World War II, era facilities and supporting utility systems. We have given our personnel in the Philippines important missions to accomplish in support of U.S. security objectives within our broad strategy of forward defense. We must give those personnel the resources they need to accomplish the missions they have been assigned, to include adequate facilities. While continued investment in these mission essential facilities contains an element of risk, it is a risk that we should be prepared to accept.

The answer to the second question, "And why are we not focusing on more near term objectives, like providing limited protection for the valuable aircraft assets on Clark?", is more complex and must be analyzed in view of the threat, operational considerations, and executability.

The threat in the Philippines is both internal and external. In this fiscal year we are requesting four flow-thru revetments as part of a multi-year program that will eventually provide 40 revetments and 8 flow-thru revetments by 1994. We initiated the plan with four flow-thrus to allow us to quick turn our aircraft to meet the external threat and simultaneously provide protection against the internal threat. It also provides us with the greatest amount of flexibility and training.

Our current plan builds 4 flow-thrus in fiscal year 1989, followed by 12 revetments in fiscal year 1990 and 8 each in fiscal year 1991 thru fiscal year 1994. The second set of 4 flow-thrus would be part of the 8 revetments constructed in fiscal year 1992.

Senator DIXON. I appreciate hearing about that. Now, we have had some testimony saying they do not even have bath facilities and inside plumbing and a variety of other things in some of the housing around there. I guess that would be a concern, quite obviously.

Maybe you can enlighten this chairman for the balance of that information at your earliest convenience.

Mr. WIGG. Yes, sir.

[The information follows:]

Many of the homes occupied by Filipinos in the Clark AB area do not have bath facilities and inside plumbing. However, in order for a unit to be authorized for rent to U.S. personnel, it must have hot and cold water provided to the kitchen and bathroom. Although water is available, the off base housing areas do not have potable water. Additionally, telephone systems are extremely limited and unreliable, commercial electric power service is unreliable and results in frequent power outages, streets are unsurfaced and lack adequate drainage, trash collection and waste water collection and treatment systems are nonexistent. The threat of theft to our off-base families is continual and in 1987, three USAF personnel assigned to Clark AB were killed by terrorists while en route to duty from off-base housing areas. The long term construction program will permit spreading out the cost over the fiscal year 1986–1994 timeframe thereby reducing the impact of construction costs in 1 year and the disruption to Clark AB during construction since transportation systems, security and utility systems will be less taxed by an incremental program.

Senator DIXON. The next question is, does the Air Force request for 200 units of new family housing construction at Clark indicate overall plans to relocate personnel from the local community to the base? That is the first question.

How many families and single personnel live on the local economy, is the second? What sort of long range plan do we have to provide them alternative housing on the base? And have we considered curtailing accompanied tours to the Philippines?

Mr. WIGG. The answer to the first question is yes, we are planning to move a number of families onto the base. We have an ongoing multi-year program to accomplish that if we can afford it.

This has certainly been expedited by the security threat in the local community. We have to look at our facilities' capability on the base to determine that we have sufficient room in order to accommodate as many people as possible.

We are also doing some things at Clark itself in order to try to improve the security situation there in light of some of the recent problems that we know about.

I believe there are approximately, what is it, 1,500 to 1,800 families who live off base around Clark, and we would like to move as many of those onto the base as possible by, shall we say, the mid-nineties.

[The information follows:]

To answer your first question, yes, the fiscal year 1989 request for 260 units (instead of 200) is a continuation of projects in fiscal year 1986—450 units and fiscal year 1988—300 units and a follow-on program through fiscal year 1984 to move personnel from off-base to on-base housing.

In answer to the second part of your question, we concur with Mr. Wigg's response that the Air Force has a continuing program to move families on base. However, as of May 4, 1988 there were 3,798 families and 1,699 unaccompanied personnel living off base at Clark instead of the 1,500 to 1,800 mentioned by Mr. Wigg. The plan through fiscal year 1994 will provide 2,052 additional housing units on base for eligible personnel to move on base. There are also ongoing and projected plans to upgrade substandard and add new dormitories for unaccompanied personnel. The plan through fiscal year 1994 will provide approximately 1,700 additional dormitory spaces for unaccompanied personnel to move on base.

A study was made which considered curtailing accompanied tours. By experience in other dependent restricted locations, we know that military members tend to bring families at their own expense. Therefore, mandated unaccompanied tours do not necessarily preclude the presence of dependents in overseas areas. It should be recognized that a decrease in accompanied tours results in an increase of unaccompanied tours, which would put an added burden on the existing dormitory shortfall. Also, unaccompanied personnel living off base have a tendency to cluster. These clusters of unaccompanied military are a more lucrative terrorist target.

Senator DIXON. My final question is, please provide the subcommittee, if you will, a 5 year audit of administration requests and congressional action on various categories of assistance to the Government of the Philippines. Could you do that for us?

Mr. WIGG. Certainly.

[The information follows:]

NAVY MILITARY CONSTRUCTION IN PHILIPPINES

Navy

Navy's capital investment programs for construction in the Philippines now emphasize both near and long-term capabilities. Deferral of construction investments in the early 1980s due to uncertainties caused a serious backlog of replacement work for such vital services as housing, water supply and electrical distribution. The water supply project approved for fiscal year 1988 at Subic Bay typifies Navy's reaction to the need for reliable, safe support to the ongoing mission. The recent new BEQ and Seabee Camp projects also show concern for the well-being of personnel stationed at Subic Bay. Looking ahead to a long-term Navy presence in Subic Bay, major projects such as the base power plant (fiscal year 1989–1991), and the hospital (fiscal year 1990–1991) are essential capital investments. Simultaneous with these major projects, construction for ongoing, day-to-day operations such as cold storage, administrative space modernization and fire protection is also being programmed.

Air Force

The U.S. security assistance program with the Philippines dates back to its independence in 1946. Our program has played a key role in securing unhampered use of U.S. military facilities in the Philippines, namely Clark Air Base and Subic Naval Base. However, today the focus of our military security assistance program is on helping the Philippines meet its military requirements to stave off a widespread and persistent Communist insurgency. As a result, our military assistance has been more than was promised as a "best effort" pledge in the last round of base negotiations. In effect, our program encourages and supports long-term stability in a democratic Philippines by enhancing the Philippine Government's ability to counter its internal insurgent threat.

Specific administration requests for security assistance to the Philippines for the last 5 years follows below. The categories are: Foreign Military Sales Credits (FMSCR), Military Assistance Program (MAP), International Military Education and Training (IMET), and Economic Stabilization Funds (ESF).

[In millions of dollars]

Program	Request	Appropriation
Fiscal year 1984:		
FMSCR	50.0	50.0
MAP	—	—
IMET	1.3	1.488
ESF	50.0	50.0
Total	101.3	101.488
Fiscal year 1985:		
FMSCR	60.0	15.0
MAP	25.0	25.0
IMET	2.0	2.167
ESF	95.0	140.0
Total	182.0	182.167
Fiscal year 1986:		
FMSCR	50.0	14.355
MAP	50.0	38.28
IMET	2.25	2.403
Supp'l (MAP)	50.0	50.0
ESF	95.0	232.125
Total	247.25	337.163
Fiscal year 1987:		
FMSCR	50.0	—
MAP	50.0	100.0
IMET	2.75	2.576
Supp'l (MAP)	50.0	50.0
ESF	95.0	250.0
Total	247.75	402.576
Fiscal year 1988:		
FMSCR	—	—
MAP	110.0	125.0
IMET	2.6	2.6
ESF	124.0	174.0
Total	236.6	301.6

Senator DIXON. I want to thank you all for your kindness and for accommodating the chairman when he had to go and vote and do other things. We appreciate it.

This subcommittee hearing is adjourned. Thank you, Ambassador Woodworth. Thank you, Mr. Wigg.

[Questions for the hearing record with answers supplied follow:]

QUESTIONS SUBMITTED BY SENATOR ALAN J. DIXON

ECONOMIC AND SECURITY ASSISTANCE

Senator DIXON. Secretary Wigg and Secretary Woodworth, both the full committee and this subcommittee have received testimony from most of the commanders-in-chief of our overseas unified commands, or their representatives. In virtually every case, these witnesses have stressed the role of economic and security assistance in carrying out their command missions. With respect to those nations with which we are negotiating base rights agreements, how critical are these types of assistance, and what has been our Government's willingness to meet these expectations?

Ambassador **Woodworth**. In the cases of the European base rights countries, security assistance is a critical factor. These nation's match their willingness to provide base access against U.S. willingness to help equip their national armed forces in fulfilling their NATO roles; a perception on the part of a base rights nation that we are reneging on our commitment to use our best efforts to provide adequate security assistance to help them meet their military needs leads to a reexamination of the base access commitment.

BASING AGREEMENTS

Senator **Dixon**. Secretary Wigg and Secretary Woodworth, are there other concerns voiced by host nations with whom we are negotiating basing agreements, issues which fall within the purview of Congress?

Ambassador **Woodworth**. Yes. Our allies react adversely to such congressional actions such as "buy American" legislation or imposition of the 7/10 ratio for aid to Greece and Turkey. We believe all such legislation is inappropriate.

NATO INFRASTRUCTURE PROGRAM

Senator **Dixon**. Secretary Woodworth, in your prepared remarks, you point out the importance of the NATO Infrastructure program. How is the U.S. share determined each year? In the biennial budget request last year, $412 million was requested for the NATO Infrastructure for fiscal year 1989, and Congress authorized $402 million for this purpose. This year, in the amended budget, the contribution has increased 32 percent to $542 million. What is the reason for this large increase?

Ambassador **Woodworth**. Based on the agreed six year (1985–1990) Infrastructure fund ceiling of 3 billion Infrastructure Accounting Units (IAU) . . . about $12 billion at current rates . . . the NATO nations established annual authorization targets so that annual financial requirements and levels of design and construction could be more accurately determined. The amended fiscal year 1989 request was based on an authorization target of 492 million IAU X $3.96 (IAU rate) X 27.82 percent (U.S. contribution) equals the $542.1 million fiscal year 1989 funding requirement. In the biennial budget last year, $452.1 million was requested in total obligational authority. Anticipated recoupments would provide $40 million while $412.1 million was requested in new appropriation. The amended budget for fiscal year 1989 was increased by $90 million to $542.1 million requested for total obligational authority. Recoupments are still expected to provide $40 million while the request for new appropriation is now $502.1 million. The increase is due to the continued decline of the value of the dollar against the aggregate of other allied currencies. The basis for the initial biennial request was a budget rate of $3.12 per Infrastructure Accounting Unit (IAU). At the time of the amended budget submit, the rate was $3.96 per IAU, a decrease of some 27 percent in the dollar's value.

CONSTRUCTION PROJECT FOR U.S. FORCES IN NATO

Senator **Dixon**. As you know, Congress has taken a dim view of financing construction projects for U.S. forces in NATO which are currently or might become eligible for NATO infrastructure funding, even though NATO might eventually refund this expense. Thanks to both congressional insistence and firm U.S. negotiations, I understand that the overall level of unrecouped funds has been reduced significantly. Can you provide the subcommittee a historical context of where we are in resolving this problem and the prospects for the future? Does the Department's request in the fiscal year 1989 budget for U.S. prefinancing of weapons storage improvements and contingency medical facilities represent a return to our prior problem?

Ambassador **Woodworth**. The following data is current as of 1 March 1988:

	Millions
Total of all Projects Prefinanced	$670.1
Total of all Recoupments	494.5
Amount Remaining to be Recouped	175.6
a. Projects programmed; Collection Underway	103.6
b. Programming Required; In a Future Slice	72.0

The following table shows the current schedule for programming the recoupment balance. Efforts will continue to accelerate collection when possible. By 1991, the balance will be reduced to some $6.0 million.

	Millions
Slice 40 (1989)	$30.6
Slice 41 (1990)	14.4
Slice 42 (1991)	21.0

Neither the Air Force Weapons Storage and Security System (WS^3) project nor contingency medical facilities are currently eligible for NATO Infrastructure funding. In both instances, precautionary prefinancing statements have been submitted to NATO Headquarters thereby ensuring that recoupment will be possible in the event the projects become eligible and are programmed in a future slice. The NATO Infrastructure Committee will be discussing eligibility for the WS^3 program sometime this Spring and a decision is expected by mid-Summer. A NATO decision on contingency medical facilities is possible by the end of the calendar year. Early discussion with NATO staffs indicates that only the actual storage portions of the contingency facilities will probably be supported and that some U.S. conjunctive funding will be required.

COLLOCATED OPERATING BASES

Senator DIXON. In your prepared remarks, you mention the 70 collocated operating bases, or COBS, which support our deploying air forces. What is the status of NATO construction at these bases? How many are not fully developed to meet our deploying forces' needs, and when will this vital program be completed?

Ambassador WOODWORTH. Of the total U.S. tactical air reinforcing squadrons currently committed to NATO, [deleted] have the full range of minimum essential facilities (MEF)—defined as storage for seven days of fuel and ammunition and dispersed parking. A significantly higher percentage of the assigned squadrons have some of the requirements and, therefore, are capable of limited combat operations. By 1990, MEF should be completed for all of the assigned tactical squadrons that are beddown at the COBS. Other facility requirements are also being programmed with NATO funds and some are provided by the host nation. NATO Infrastructure funds provide shelters for [deleted] of the total aircraft assigned. Aircraft shelters are completed for [deleted] of all eligible reinforcing aircraft. By the end of 1991, the percentage completed will increase to [deleted] of the total. NATO Infrastructure programming will continue into the next cost-sharing period (1991-1996).

INF TREATY

Senator DIXON. The prospective ratification of the INF Treaty will cause a significant rebasing of forces within NATO. Both the U.S. and NATO have made very significant investments in these facilities. For the record, can you provide the committee an audit trail of the amount and kinds of construction which the U.S. and NATO have financed at each of the INF installations?

Ambassador WOODWORTH. The following table summarizes fund expenditures at each of the Ground Launched Cruise Missile sites. Most of the operational facilities (weapons shelters, missile maintenance, communications) and the security systems were funded with NATO Infrastructure funds. U.S. MilCon funds were used to construct personnel and administrative support facilities (barracks, dining halls, recreation facilities, medical), and family housing.

[In millions of dollars]

Site	NATO funds	U.S. funds	Total
Greenham Common, UK	$71.9	$78.6	$150.5
Comiso, Italy	82.6	134.4	217.0
Florennes, Belgium	34.9	77.9	112.8
Wuesheim, Germany	42.8	22.4	65.2
Woensdrecht, NL	29.7	53.7	83.4
Molesworth, UK	39.3	40.8	80.1
Total	301.2	407.8	709.0

MILITARY CONSTRUCTION FOR PANAMA

Senator **Dixon**. Secretary Wigg, last year, Congress did not support a good deal of the military construction request for Panama. One of the reasons was the lack of a definitized plan for the draw down of U.S. forces in compliance with the Panama Canal Treaty. Can you advise us of the status of the plan, and when it will be available for review?

Secretary **Wigg**. The phased draw down of U.S. forces in Panama, in compliance with the Panama Canal Treaties, is in the planning process within the Department of Defense, upon completion, it will be reviewed by the inter-agency process.

MILITARY HOUSING IN PANAMA

Senator **Dixon**. Secretary Wigg, in the fiscal year 1988 and 1989 budget request, the Army requested 1,000 units of military family housing for Panama, while also embarking on an ambitious family housing lease program. As you know, Congress did not authorize the fiscal year 1988 increment of this construction. As I understand it, this entire initiative has now been dropped. What has caused such a change in priorities? Are the military services still sending dependents to Panama?

Secretary **Wigg**. The U.S. Army is concerned about the housing shortage in Panama. They asked Congress for 400 units in fiscal year 1988 and it was denied. Because they did not believe that Congress would change its views, they cut Panama family housing from the fiscal year 1989 budget. Simply stated, Army felt that putting more money against family housing in Panama was a dead issue in Congress. Given recent events, we believe Congress would have again rejected the funding for this project. With reference to the build-to-lease program the Army has not been able to reach agreement with Panamanian officials and hence the project has been canceled. The Army will continue to review ways of meeting the current housing shortage. In the meantime, the military services are not allowing dependents to accompany active duty personnel to Panama until after the military member has been assigned housing on a U.S. military facility.

MILITARY CONSTRUCTION IN HONDURAS

Senator **Dixon**. Secretary Wigg, in your prepared remarks, you make the point that military construction constitutes a visible sign of support by the U.S. Government for the host nation. How does this work in Honduras, in particular, Palmerola Air Base? This year Congress is being asked to approve the second increment of a multi-year upgrade of facilities at that installation. It is my understanding that the Honduran government has been very slow to approve the modernization of this installation, even reluctant to cooperate in designing a base development plan which would meet their own long term goals for this installation. How do you view the interest of the Government of Honduras in our modernization of Palmerola Air Base?

Secretary **Wigg**. We believe that providing military construction funds for a democratic ally demonstrates our commitment to that country's future. The message from the United States is clear—we have a stake in that country's defense. Reference your specific question about what has been happening with the military construction funds for Palmerola Air Base it is true that the Hondurans have been slow to approve site locations. That, however, does not mean that they are opposed to the construction. As a matter of fact, the Hondurans have now given us approval for the projects. The delay in obtaining approval is understandable in that the Hondurans had not finalized their own plans for future development of the base. We are sensitive to the Government of Honduras' desires vis-a-vis Palmerola Air Base and we are satisfied that based on our existing bilateral agreement on military construction our countries will continue to work well together.

MILITARY PRESENCE IN PANAMA AND HONDURAS

Senator **Dixon**. How does U.S. economic or security assistance influence our ability to retain a military presence in Panama and Honduras?

Secretary **Wigg**. Our military presence in Panama is addresed in detail in the Panama Canal Treaties. Reference our temporary but indefinite military presence in Honduras, one must look at the bilateral agreements which exist between our two governments. These documents demonstrate that we are there at the pleasure of the Government of Honduras. A review of those documents also reveals that our presence is not predicated on any particular level of economic or security assistance aid package. Maintenance of a foreign power's military forces within one's boundaries is always a sensitive issue. In the case of Honduras, there can be no doubt that sustained levels of aid are a necessity given its poor economy and the massive military threat it faces from the Marxist/Leninist regime in Nicaragua.

MILITARY EXERCISE IN HONDURAS

Senator DIXON. Do the civil affairs aspects of U.S. military exercises in Honduras contribute significantly to our overall base access in Honduras? I am thinking specifically of the ongoing road construction exercise supported by National Guard units, and other expeditionary construction exercises of Army and Air Force civil engineering units.

Secretary WIGG. Our access to Honduran bases stems from our existing military assistance agreements dating back to 1954. While the civil affairs aspects of our joint U.S. Honduran exercises contribute significantly to the building of goodwill between our two countries, it is not the primary basis for our access. The exercise program conducted in Honduras provides us with outstanding training opportunities. This is especially true with respect to the road construction exercises. We have added civic action portions to all our exercises and they are appreciated and encouraged by the Government of Honduras. In one sense the case could be made that the civil affairs aspects of U.S. military exercises contributes significantly to continued access to Honduran bases.

SPAIN

Senator DIXON. Secretary Woodworth, there has been a great deal of media coverage surrounding the renegotiation of our basing agreement with the government of Spain. A key issue was the relocation of the 401st Tactical Fighter Wing from Torrejon Air Base. Can you provide the subcommittee an update on progress in finding another European operating data for this unit?

Ambassador WOODWORTH. NATO is currently considering the issue and we expect NATO Defense Ministers will invite Italy to provide a suitable location and make available infrastructure funding for construction at the new site. It would be premature for me to name the candidate locations since discussions are still taking place; however, I am optimistic in finding a favorable solution.

Senator DIXON. Have the other elements of the Spanish Base agreement been finalized? Do we anticipate having to rebase any other forces or functions from Torrejon AB or any other Spanish location?

Ambassador WOODWORTH. We are still working out the details of the new agreement and anticipate that we should finish the negotiations in the near future. As a result of the agreed withdrawal of the 401st TFW we are planning to relocate the MAC operation from Torrejon to Rota and the 16 AF Hdqtrs outside of Spain. In addition, the tanker operation will be shifted from Zaragoza to Moron in southern Spain.

Senator DIXON. Has NATO made a firm commitment to funding the relocation of the 401st TFW from Torrejon?

Ambassador WOODWORTH. Preliminary discussions, initiated by the U.S. representative, have taken place in the NATO Infrastructure Committee but the allies have not yet made a firm commitment to fund the relocation costs. The matter will be formally addressed during the Spring meeting of the NATO Defense Planning Committee, attended by the SecDef. In committee, several nations have already indicated they would support NATO Infrastructure funding for the 401st.

Senator DIXON. Will the Spanish Government reimburse the U.S. for the U.S. financed facilites on Torrejon which we are being forced to vacate?

Ambassador WOODWORTH. They have not offered to pay nor are they required to pay under the terms of the existing agreement.

PORTUGAL, GREECE, AND TURKEY

Senator DIXON. Secretary Woodworth, we have recently had the Defense Cooperation Agreement with Turkey ratified, and face ongoing negotiations with Greece and Portugal on the continued use of the bases in these countries. I gather that economic and security assistance are important issues with all three nations. Can you explain how the United States is addressing these concerns?

Ambassador WOODWORTH. The current Defense Economic Cooperation Agreement with all three countries pledges U.S. best efforts to provide security assistance adequate for modernization of the national armed forces. The Administration analyses of the military requirements and our Security Assistance requests reflect such national military requirements tempered as necessary by fiscal constraints.

Senator DIXON. Aside from assistance, what other issues are important to these three nations in their negotiations with the U.S. on continued access to military bases? What actions has Congress taken in recent years to help to hinder this process?

Ambassador WOODWORTH. Reciprocity is a key element of national concern during the base rights negotiations process. Each of the nations are sovereign and react adversely against any suggestion that a different standard must be applied in comparing national forces, requirements, laws, with the U.S. counterpart. To the extent that the Congress passes legislation that requires the Administration to treat Allies differently (i.e. "buy American" or "7/10" legislation), we can expect a similar position to be held by our Ally.

Senator DIXON. Presumably our continued access to our military bases in these countries is an important national security consideration. What structure does the administration have to identify issues which adversely impact this access? Do you have a process through which these issues can be dealt with so that the defense implications of economic or political problems can be easily understood by policy makers in the administration and Congress?

Ambassador WOODWORTH. The administration deals with base rights negotiations and our relationship with base rights countries by an interagency approach. Initiated or identified by the country team or base commander, issues with defense implications are reported through both State and Defense channels to Washington where the USG position is developed in an interagency forum.

PHILIPPINE NEGOTIATIONS

Senator DIXON. Mr. Wigg, in your view, what are the major points of interest to the Philippine Government in the forthcoming negotiations: economic assistance, trade, international debt servicing, or other issues?

Mr. WIGG. As in past negotiations with the Philippine Government, the major points of interest in the upcoming Military Bases Agreement review are expected to be the amount and form of security and economic assistance. The Philippine Government is likely to seek firm commitments for sizable assistance (well in excess of $1 billion annually according to its spokesmen), and will want to have full control over the use of assistance. Procurement initiatives which would increase U.S. Government purchases of Philippine goods are also likely to be of major interest to the Philippine Government.

BASE ACCESS AGREEMENTS

Senator DIXON. Secretary Wigg, in your prepared testimony, you discussed the base access agreement with [deleted]. Would you address our access agreements with other Middle East, African, and Southwest Asian nations, particularly those at which we have or are requesting construction of logistics facilities?

Mr. WIGG. In addition to [deleted] we have access agreements with [deleted] but many of these are classified. Under these access arrangements we have the right to use host country facilities, but we do not usually have a permanent military presence. In [deleted] the Air Force has a leased [deleted] facility; and the Navy has a leased administrative support facility in [deleted].

QUESTIONS SUBMITTED BY SENATOR STROM THURMOND

MILITARY PRESENCE IN PANAMA

Senator THURMOND. Mr. Wigg, since the signing of the Panama Canal Treaty, has our military presence in Panama increased or decreased?

Secretary WIGG. Our military strength in Panama has remained essentially stable since the effective date of the Panama Canal Treaties.

SECURITY THREAT TO PANAMA

Senator THURMOND. Mr. Wigg, given the security threat in Panama, would it not be wise to make these tours of duty unaccompanied?

Secretary WIGG. The present security threat does not mandate an immediate elimination of dependents in Panama. Both the current and expected security situations are consistent with the continued presence of dependents as long as they reside on post. Steps are now underway to eliminate the offpost dependent population. This will be accomplished over the next 16 months, through normal tour rotation.

GREECE

Senator **Thurmond**. Ambassador Woodworth, what are the alternatives to our base at Hellenikon given the congestion caused by encroachment?

Ambassador **Woodworth**. Our military presence in Greece is under review within the context of our ongoing U.S./Greece DECA negotiations. Until the shape of our future bilateral security relationship is clear, the discussion of alternatives would be premature.

TURKEY

Senator **Thurmond**. Ambassador Woodworth, what are the results of the recent decision by the government of Turkey concerning our presence in that country?

Ambassador **Woodworth**. Ratification of the DECA extension by the Government of Turkey has put an official approval to what had previously been a general agreement in practice. With few exceptions, U.S. activity in-country had been continuing or progressing along the general lines of the DECA extension before ratification. We are advised that those areas requiring formal approval of the Council of Ministers generally dealing with upgrades to U.S. activities and held pending ratification of the accord, will go forward. Other objections specified in the DECA extension have been accomplished or are underway. Moreover, Turkish ratification has sent a strong and positive signal to other countries with whom we are currently negotiating base rights. It has also proven most useful in encouraging private U.S. investment and confidence in Turkey—key factors in promoting the avowed GOT aim of "trade not aid."

ALTERNATIVES TO PHILIPPINE BASES

Senator **Thurmond**. Mr. Wigg, what are the alternatives to bases in the Philippines?

Mr. **Wigg**. Alternative basing of U.S. forces in the Philippines would require dispersal to various locations in the Pacific, including [deleted] and other countries which would agree to a U.S. presence. Although we could continue to operate effectively at these new locations, they would be much less effective from a strategic standpoint than bases in the Philippines, because of the greater distances to areas of important military deployments and operations.

[Whereupon, at 3:55 p.m., the subcommittee was adjourned.]

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 1989

WEDNESDAY, APRIL 13, 1988

U.S. SENATE, SUBCOMMITTEE ON READINESS, SUSTAINABILITY AND SUPPORT, AND THE SUBCOMMITTEE ON MANPOWER AND PERSONNEL, COMMITTEE ON ARMED SERVICES,

Washington, DC.

READINESS OF ARMY COMPONENT COMBAT SUPPORT AND COMBAT SERVICE SUPPORT UNITS

The subcommittees met in executive session, pursuant to notice, at 10:05 a.m., in room SR-222, Russell Senate Office Building, Senator Alan J. Dixon (chairman, Subcommittee on Readiness, Sustainability and Support) presiding.

Present: Senators Dixon, Glenn, Warner, Thurmond, Wilson, and McCain.

Staff present: Patrick A. Tucker, minority counsel; George K. Johnson, Jr., Ronald P. Kelly, David S. Lyles, Frederick F.Y. Pang, and Patricia L. Watson, professional staff members; Mary J. Kampo, staff assistant.

Also present: Jeffrey B. Subko, assistant to Senator Exon; Phillip P. Upschulte, assistant to Senator Glenn; Terrence M. Lynch, assistant to Senator Shelby; and Anthony H. Cordesman, assistant to Senator McCain.

OPENING STATEMENT BY SENATOR ALAN DIXON, CHAIRMAN

Senator DIXON. Good morning, ladies and gentlemen.

Today, the Subcommittee on Readiness, Sustainability and Support joins with the Manpower and Personnel Subcommittee to receive testimony on the readiness of the combat support and combat service support units in the Army.

Last year and again this year, the Readiness, Sustainability and Support Subcommittee invited designated representatives of the major warfighting combatant commanders to testify before the subcommittee. The witnesses provided an overview of the readiness and sustainability posture of their commands, and then discussed the impact of the annual budget requests on their commands.

For the last 2 years, all of the representatives of the combatant commanders who testified before our subcommittee indicated that the low level of readiness of the ground combat support and combat service support units was one of their major readiness and sustainability problems.

Equipment shortages, shortages of personnel, and even lack of skill training for people in the units have all been cited as causes of the low level of readiness of these units.

Combat support and combat service support units include functions like maintenance, supply, transportation and medical care. Without these types of units, our forces cannot sustain themselves in combat for any period of time.

I hoped to have at least part of this hearing in open session. But after reviewing the testimony, it became clear that it would be more productive to conduct all of the hearing in executive session.

We will hear from two panels this morning, first the General Accounting Office and second from the Army.

As others come into the room, Senator McCain, I may recognize them to place statements into the record or to make a statement.

Do you have any statement that you want to make at this time?

Senator McCAIN. Yes, Mr. Chairman. If you don't mind, I would like to make a statement.

I found the statements that were submitted earlier for this hearing today very useful explanations of the trade-offs the Army has had to make in structuring its forces.

I am deeply concerned, however, at the fact that our full committee keeps getting briefed on various technological improvements, including yesterday, in our conventional capabilities for Europe that may or may not occur, but this subcommittee keeps getting told that we now have serious problems in meeting our commitments to provide 10 divisions to Europe in 10 days, and that these problems will steadily grow worse as a result of the projected cuts in defense spending during fiscal year 1990 to fiscal year 1994.

The testimony hints at these problems as they apply to Reserve forces, but it is short of specifics and does not address each of the points in the GAO report in detail.

We need, I think, a very precise picture of the major shortfalls that we face in readiness and in meeting our commitments, of how they are likely to change with time under the current budget ceilings and of the cost of correcting them.

Let me sum up these problems, Mr. Chairman, briefly, as we have heard about them over the last few months.

We now lack the sealift to come close to meeting our commitments to provide 10 combat ready divisions to NATO in 10 days, and this situation will steadily deteriorate over the next decade to the point that we will not be able to provide 10 divisions in [deleted] days, much less 10.

We suffer from critical shortfalls in [deleted]. We have massive shortfalls in prepositioning. While these will improve in some ways over the next 5 years the modernization and updating of these stocks will be severely cut back.

We are cutting back on many modernization efforts or delaying them.

A recent task force of the Defense Science Board had indicated that we have decisively lost our technical advantage in armor and antiarmor capability.

We have serious problems in the readiness of our combat, combat support, and combat service support forces for Europe in spite of the fact that the actual flow of money to those forces is just peaking and will steadily decline over the next 5 years.

All of this testimony seems to me to add up to one very clear message. At a time that we are talking about improving our conventional options and burden sharing, we clearly cannot provide the forces necessary to meet our commitments to NATO. Further, our capability will steadily decline with time, regardless of our efforts to deploy new technology.

The problem with this message, however, is that it is being delivered piecemeal. I am afraid that any effort to guess at the sum of the parts may provide a misleading or negative view of what is happening.

We need a picture of our capabilities to meeting our commitments to given commands, and, especially, to USEUCOM, which combines a full description of problems that we are addressing today with problems that we have heard exist in the sea and airlift; in force modernization, in prepositioning, and in the procurement of munitions, war reserves, and supplies.

We have heard that each of these areas is a potential "war stopper" in denying us an effective conventional option for NATO in testimony to this and other subcommittees and in the hearings held by the full committee.

Finally, Mr. Chairman, I gather there are two major studies going on in the Pentagon that are attempting to come to grips with the overall implications of these problems. I would like the Army to provide us with more detail on the exact nature and scale of these problems today, and with a detailed and comprehensive analysis of these issues for the record.

I think we are facing some serious problems, Mr. Chairman.

I think this hearing is very important and I think the work that you have done as chairman of this subcommittee has played a vital role in our ability to maintain our commitments to our NATO allies.

Thank you, Mr. Chairman.

Senator DIXON. I thank you, Senator McCain.

We appreciate those statements.

Ladies and gentlemen, I would like to welcome the first panel of witnesses from the General Accounting Office.

Mr. Richard A. Davis is the Associate Director of the National Security and International Affairs Division.

Mr. Charles J. Bonanno is a Group Director in the same division.

Ms. Julia Denman is the Evaluator In Charge of this particular study.

May I say to all of you that I assure you that a conscientious Senator like the Senator from Arizona and this chairman have read your statements. They will be reproduced in the record in full.

If you could, limit your remarks to perhaps not to extend beyond 10 minutes. We would greatly appreciate that so that we can get to our questioning.

Mr. Davis, in the order that was indicated to the Chair, I believe that you are prepared to go first.

If you are, we are delighted to welcome you to this committee.

STATEMENT OF RICHARD A. DAVIS, SENIOR ASSOCIATE DIRECTOR, NATIONAL SECURITY AND INTERNATIONAL AFFAIRS DIVISION, U.S. GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY CHARLES J. BONANNO, GROUP DIRECTOR, NATIONAL SECURITY AND INTERNATIONAL AFFAIRS DIVISION, U.S. GENERAL ACCOUNTING OFFICE, AND JULIA DENMAN, EVALUATOR IN CHARGE, NATIONAL SECURITY AND INTERNATIONAL AFFAIRS DIVISION, U.S. GENERAL ACCOUNTING OFFICE

Mr. Davis. Thank you, Mr. Chairman.

I do have a few short remarks that I would like to make, just to summarize my statement.

To help, I have a couple of visuals here that I hope will be helpful to the committee members in going through my statement.

[A series of charts were shown and are retained in committee files.]

I would like to comment on three areas relating to Guard and Reserve combat support and combat service support readiness.

Most of the Army's support forces are in the Reserves, and a large proportion of this force does not have sufficient personnel, necessary skills, or the equipment required to perform their wartime missions.

The Army's ability to meet military objectives in the early phases of a NATO conflict may be adversely affected by the lack of ready and available support forces, particularly those in the Army Reserve.

Although the Army's data indicates that about three-fourths of its Reserve soldiers are qualified in their jobs, reservists may be less skilled than this data indicates. Furthermore, the Army does not know how many reservists are proficient in their jobs.

The first chart shows that in 1968, the Army had just over 18 combat divisions and 1.5 million soldiers in its Active Force. Today, it has the same number of combat divisions, but only about half the number of soldiers as in 1968.

Several factors have contributed to this change in the Army's force structure, including a substantial reduction in the size of Army combat divisions. In addition, the Army has changed the mix of its Active and Reserve Forces. Most of the combat divisions were retained in the Active Force, but significant reductions were made in combat support and combat service support forces.

Typical combat support provided to combat forces includes engineer, signal, intelligence, and chemical services, while combat service support includes medical, maintenance, supply, transportation, and ammunition services.

The Army now has over two-thirds of its support structure in the Army Reserve and National Guard. As a result, most support services which the Army plans to provide to theater commanders during combat are currently in the Reserves. For example, about 80 percent of the combat support and combat service support forces for both the European and the Pacific commands are in the Reserves.

However, a significant percentage of support forces assigned to assist combat divisions in four major war-fighting commands—

Europe, Atlantic, Pacific, and Central commands—report that they do not have sufficient resources to perform assigned missions.

Senator DIXON. What number did you say that was, Mr. Davis?

Mr. DAVIS. I didn't say a number, Senator. We said "a significant percentage." I am going to show you some typical examples.

Moreover, more than half of all the [deleted] units assigned to these four commands reported that they were not combat ready. And, about half of the [deleted] units have also reported that they were not combat ready.

That chart just shows some typical support functions and the percentage of the Reserve Forces that are assigned to each one of those commands, that reported not combat ready.

The primary reasons for units reporting a not-combat-ready condition are a lack of sufficient personnel, necessary skills, or the equipment required to perform wartime missions. The lack of skill qualifications was most often cited for units reporting a not-combat-ready condition.

Included in the number of support forces that report resource limitations is a large number of Army National Guard and Reserve units required for initial combat operations in Europe. These units are assigned to the Army's M-10 essential force, a term that refers to the approximately 10 divisions and required nondivisional support forces the United States has committed to assemble in Europe within 10 days of NATO mobilization.

This chart shows that, notwithstanding that commitment, [deleted] percent of the forward deployed combat service support units are not combat ready and [deleted] percent of the U.S.-based Army Reserve Forces are not combat ready.

Our next chart shows the major resource limitations for selected support functions. As you can see, [deleted] percent of the Army Reserve medical units reported they were not combat ready because they did not have sufficient people, and [deleted] percent of the units were not combat ready because of equipment shortages.

This condition raises questions about the Army's ability to meet military objectives in the early phases of a NATO conflict. In fact, some operational commanders believe that, should a conflict occur, the impact of support force shortages would be severe.

In general, reservists are considered to be qualified if they have the skills required for their duty positions. Although, overall, the Army's skill qualification data indicates that about three-fourths of its Reserve soldiers are qualified, we found that reservists may be less skilled than the Army's data indicates.

While soldiers are termed qualified by the Army, they are not necessarily fully qualified in their jobs. Rather, qualified soldiers may have been trained in only a portion of the tasks that the Army considers critical to proper job performance. For example, we found that a large percentage of reservists work in occupations in which they are taught less than 60 percent of critical tasks during advanced individual training. These occupations include positions requiring repair capability for equipment, such as the Bradley Fighting Vehicle and the Abrams Tank.

The Army does not know how many reservists are proficient in their jobs. Although the Army has a means—the Skill Qualification Test—to evaluate the overall proficiency of its soldiers, only a relatively small number of reservists take the test.

The SQT is currently the Army's only objective means to assess soldiers' qualifications. It evaluates a soldier's proficiency in a sample of critical job tasks for each occupational specialty. In fiscal year 1987, 74 percent of the Army's active duty soldiers took the SQT. In the Army Reserve and Army National Guard, however, only about 32 percent of the soldiers required to take an SQT for their MOSs took that test. Consequently, the Army lacks proficiency data on nearly 70 percent of its reservists, or about 334,000 soldiers.

During a prior GAO review, unit officials told us that participation in the SQT was lacking because of inadequate command emphasis. They also said that reservists lacked incentives to take the test.

For the 156,000 reservists who took a skill qualification test during fiscal year 1987, about 65 percent passed the test. In comparison, about 92 percent of the 450,000 active duty soldiers taking the test during the same period passed.

The Army has undertaken several initiatives to address readiness problems that exist throughout the Army, and Reserve Forces should benefit from them. For example, while there are currently large personnel shortages, it appears that planned host nation support and expected unit productivity improvements from new equipment that the Army plans to buy over the next 5 years should help to alleviate this condition.

However, providing reservists with necessary skills is a difficult task. Training time is limited, and there are a number of other factors, such as equipment modernization and mission assignment changes, that affect the Reserves' ability to maintain high levels of individually qualified personnel. While the Army has initiated efforts to find solutions to personnel retention and training related problems, it is premature to predict whether these efforts will succeed.

Equipment shortages affecting the readiness condition of Reserve Forces is likely to remain a long-term problem. The Army is projecting substantial funding increases to implement its equipment initiatives. However, in light of the limited funding available for support force equipment in recent years and little prospect for growth in the defense budget in the near future, the Army's current funding projections to implement its equipment initiatives may be too optimistic.

More detailed information on the condition of the Reserve combat support and combat service support forces is contained in my classified statement, which has been submitted to the subcommittees.

Mr. Chairman, that concludes my opening remarks. We would be happy to respond to any questions that you or other members may have.

[The prepared unclassified statement of Mr. Davis follows:]

PREPARED STATEMENT OF RICHARD A. DAVIS, SENIOR ASSOCIATE DIRECTOR, NATIONAL SECURITY AND INTERNATIONAL AFFAIRS DIVISION

Mr. Chairman and members of the committee, I am pleased to be here today to discuss the readiness of Army National Guard and Army Reserve combat-support and combat service-support units, including Reserve units that are part of the Army's high priority M+10 essential force. I would like to comment on three areas relating to Guard and Reserve combat-support and combat service-support readiness.

Most of the Army's support forces are in the reserves, and a large proportion of this force do not have sufficient personnel, necessary skills, or the equipment required to perform their wartime missions.

The Army's ability to meet military objectives in the early phases of a NATO conflict may be adversely affected by the lack of ready and available support forces, particularly those in the Army Reserve.

Although the Army's data indicates that about three fourths of its reserve soldiers are "qualified" in their jobs, reservists may be less skilled than this data indicates. Furthermore, the Army does not know how many reservists are "proficient" in their jobs.

In 1968 the Army had just over 18 combat divisions and 1.5 million soldiers in its Active force. Today is has the same number of combat divisions but only about half the number of soldiers as in 1968. Several factors have contributed to this change in the Army's force structure, including a substantial reduction in the size of Army combat divisions. In addition, the Army has changed the mix of its Active and Reserve forces. Most of the combat divisions were retained in the active force, but significant reductions were made in combat-support and combat service-support forces. The Army now has over two thirds (about 70 percent) of its support structure in the Army Reserve and National Guard.

As a result of this heavy reliance on reserve support forces, the Army must augment its active force combat divisions throughout the world before it can sustain them on the battlefield for a short period of time. Accordingly, a large portion of reserve forces must be well equipped, highly trained, and able to mobilize and deploy quickly.

However, a significant percentage of support forces assigned to assist combat divisions in the four major war-fighting commands—Europe, Atlantic, Pacific, and Central—report that they do not have sufficient resources to perform assigned missions. The primary reasons for units' reporting a not-combat-ready condition are a lack of sufficient personnel, necessary skills, or the equipment required to perform wartime missions. The lack of skill qualifications was most often cited for units reporting a not-combat-ready condition.

Included in the number of support forces that report resource limitations is a large number of Army National Guard and Reserve units required for initial combat operations in Europe. These units are assigned to the Army's "M+10 essential force," a term that refers to the approximately 10 divisions and required nondivisional support forces the United States has committed to assemble in Europe within 10 days of NATO mobilization. This condition raises questions about the Army's ability to meet military objectives in the early phases of a NATO conflict. In fact, some operational commanders believe that, should a conflict occur, the impact of support force shortages would be severe.

In general, reservists are considered to be "qualified" if they have the skills required for their duty positions. Although, overall, the Army's skill qualification data indicates that about three fourths of its reserve soldiers are qualified, we found that there are many occupational specialties in which 59 percent or less of the assigned soldiers have the military occupational specialties (MOS) called for by their duty positions. For example, in the Army Reserve, 133 occupational specialties were in this category.

We also found that reservists may be less skilled than the Army's data indicates. Although soldiers are termed "qualified" by the Army, they are not necessarily fully qualified in their jobs. Rather, "qualified" soldiers may have been trained in only a portion of the tasks that the Army considers critical to proper job performance.

The Army generally awards an MOS to a soldier upon successful completion of advanced individual training (AIT). However, according to officials from the Army's Training and Doctrine Command, for nearly one third of the Army's more than 350 occupational specialties, AIT provides training in less than 80 percent of the critical job tasks soldiers need to learn to be fully qualified. Further, we found that a large number of reservists work in occupations in which they are taught less than 60 percent of critical job tasks during AIT. These occupations include positions requiring repair capability for equipment such as the Bradley Fighting Vehicle and the Abrams Tank.

The Army does not know how many reservists are proficient in their jobs. Although the Army has a means—the Skill Qualification Test (SQT)—to evaluate the overall proficiency of its soldiers, only a relatively small number of reservists take the test. The SQT is currently the Army's only objective means to assess soldiers' qualifications. It evaluates a soldier's proficiency in a sample of critical job tasks for each occupational specialty.

In fiscal year 1987, 74 percent of the Army's active duty soldiers took the SQT. In the Army Reserve and Army National Guard, however, only about 32 percent of the soldiers required to take an SQT for their MOSs took the test. Consequently, the Army lacks proficiency data on nearly 70 percent of its reservists, or about 334,000 soldiers. During a prior GAO review, unit officials told us that participation in the SQT was lacking because of inadequate command emphasis. They also said that reservists lacked incentives to take the test.

For the 156,000 reservists who took a skill qualification test during fiscal year 1987, about 65 percent passed the test. In comparison, about 92 percent of the 450,000 active duty soldiers taking the test during the same period passed.

The Army has undertaken several initiatives to address readiness problems that exist throughout the Army, and reserve forces should benefit from them. For example, while there are currently large personnel shortages, it appears that planned host nation support and expected unit productivity improvements from new equipment that the Army plans to buy over the next 5 years should help to alleviate this condition. However, providing reservists with necessary skills is a difficult task. Training time is limited, and there are a number of other factors, such as equipment modernization and mission assignment changes, that affect the reserves' ability to maintain high levels of individually qualified personnel. While the Army has initiated efforts to find solutions to personnel retention and training-related problems, it is premature to predict whether these efforts will succeed.

Equipment shortages affecting the readiness condition of reserve forces are likely to remain a long-term problem. The Army is projecting substantial funding increases to implement its equipment initiatives. However, in light of the limited funding available for support force equipment in recent years and little prospect for growth in the defense budget in the near future, the Army's current funding projections to implement its equipment initiatives may be too optimistic.

More detailed information on the condition of reserve combat-support and combat service-support forces is contained in a classified statement, which has been submitted to the subcommittees. Mr. Chairman, this concludes my statement. I would be happy to respond to questions.

Senator DIXON. Mr. Davis, I thank you for your conciseness and brevity and the nature of your remarks, which are very informative to the committee.

Do I understand that Ms. Denman and Mr. Bonanno do not have statements of their own, separate from your own statement?

Mr. DAVIS. Yes, that is true.

Senator DIXON. I must say that when you showed the charts, some of the things that you suggest in your statement become even more meaningful, and have greater impact.

Let me ask this question.

I take it the skill qualification test that you referred to is not mandatory anywhere in the services, is that right, either in the Reserve and Guard or at the Regular Forces level that we have, the NATO forces, that we have in Europe or elsewhere?

Mr. DAVIS. The Army's position is that the Active duty soldiers are required to take the test once a year, annually, and reservists are required to take it every 2 years.

Senator DIXON. Well, notwithstanding your statement, it would appear that that is not what is being done by the percentages you showed me on that chart.

Obviously, 100 percent were taken among the Active duty. It looked like you said 74 percent took it.

Mr. DAVIS. That's right.

Senator DIXON. Obviously, half are taken in the Reserves, and it looks like you said 32 percent took it.

Mr. DAVIS. That's true.

Senator DIXON. What is the statement in justification of that given to you by the folks in the Army?

Mr. DAVIS. Let me address the Reserves first.

Based on the work that we have done in the past, there just has not been a sufficient level of command emphasis, and also the difference is people in the Reserves can be promoted without taking the test. The other problem in the Reserves is that time is a critical factor, and we are talking about people who train on weekends and also for a 2-week period sometime during the year. The SQT just has not been a high priority.

Now, in the Active forces, it is our understanding that there is more incentive to take the test. In fact, promotion is tied to taking and passing it.

Senator DIXON. That is interesting.

I was going to follow up with that question.

May I observe that my distinguished colleague, the chairman of the Manpower and Personnel Subcommittee, who had another committee meeting this morning—we always have conflicts—has now arrived. I am sure that he has a statement.

May I say to him, prior to his statement, that what we have done, Senator Glenn, is we have had the first panel. Only Mr. Davis has testified. Ms. Denman and Mr. Bonanno have been supporting him, and they have shown us some charts which have been essentially supportive of his statement. He has just concluded and I was just starting a round of questioning.

Senator McCain had to leave for a moment and will be back, and I believe Senator Thurmond will return later.

We now recognize the chairman of the Manpower and Personnel Subcommittee for whatever remarks he may want to make before we go back to our questions.

Senator GLENN. Thank you all very much. I do apologize for being late. We have too many things that we are trying to do, all at the same time.

I am very, very concerned about the combat support and combat service support area, particularly in manpower skill qualifications, which I want to ask some questions on at the appropriate time, as to what we are doing.

Let me say this.

I am beginning to get a little unhappy about the reaction from across the river on some of this. We have been pointing out some of these things and working very hard on them for some 3 years. This is not something new.

Every year we say well, yes, we have some plans in the works and we are doing something or other, but we have not seen any action, and things are getting worse instead of better in some of these areas.

That is a general problem, and that is what I was addressing, basically, in my statement, which I ask be put into the record in its entirety.

Senator DIXON. It will be.

[The prepared statement of Senator Glenn follows:]

PREPARED STATEMENT OF SENATOR JOHN GLENN

Senator Dixon, I join you in welcoming our witnesses to this joint hearing of the Subcommittee on Readiness, Sustainability and Support and the Subcommittee on Manpower and Personnel.

The subject we will review today, the readiness of the Army Reserve components, has been a serious concern of mine. I have raised this issue over the last 3 or 4 years, first as a member of the Subcommittee on Manpower and Personnel when Senator Wilson chaired the Subcommittee and more recently as Chairman of that Subcommittee.

For the first time in the Army's history, the Selected Reserve of the Army is larger than the active Army. In fact, 70 percent of the Army's combat support and combat service support forces are in the selected Reserve of the Army. The Army cannot go to war and expect to win without the Reserves. In fact, a recent Congressional Budget Office report indicates that 42 percent of all Army forces required in the first 30 days of a major war in Europe would be reserves.

My interest in this hearing is to find out if the plans of the Army with respect to the deployment of Army Reserve and Guard forces can be carried out effectively.

In hearings the Subcommittee on Manpower and Personnel had last year, and more recently this year, we have raised the question of whether or not the Army has moved too far, too fast, in turning over missions to the Reserves. I think this is a fair question when you consider that 55 percent of Army Combat Support and Combat Service Support units in the Selected Reserve are reported to be not combat ready.

As we got into the reasons for this, we found that lack of individual skill qualification was the top reason, in terms of personnel readiness, for this situation in virtually all Army Reserve combat support and service support units except medical. In the Army Reserve medical units, we have a virtual war-stopper for lack of qualified personnel. When you consider that approximately 86% of the Army's combat medical units are in the Reserve Component and that these units provide 70% of the Army's required combat medical manpower, you can understand what substantial shortfalls can do to Army combat readiness. So where are we? Well, as of June 30, 1987, the Army Reserve components were manned as follows in its critical wartime medical specialties:

	Percent
Anesthesiologist	42
General surgeon	36
Orthopedic surgeon	26
Operating room nurse	50
Nurse anesthetist	38
Medical surgical nurse	74

Now, if these fill rates are not war-stoppers, they are darn close to being so.

So how do we come to grips with the current situation? I think that is the question before us. Hopefully, our witnesses will be able to outline for us a plan of action to either correct the situation or correct our perception of what is, to me, a very dangerous, and potentially catastrophic situation.

I look forward to hearing from our witnesses and in working with the Subcommittee on Readiness, Sustainability and Support on this.

Senator Dixon, I appreciate your chairing this joint hearing. I believe we have a very important problem to deal with and look forward to working with you on it.

Senator GLENN. We have a total force concept. We cannot go to war right now without the Reserves and the Guard. We have some of the very key functions over in the Reserves, particularly in the medical area. I think you are familiar with some of the shortages there. Some of them are atrocious.

I have termed them closer to being a war stopper than anything I know of in our whole military, just about, if you figure that we have to have medical people out there when we go to war.

We are not going to have them given the way we are operating right now.

We have about 55 percent of Army combat support and combat service support units in the Selected Reserve, and those units are basically not ready. They don't fit the DOD criteria of being ready to go to war.

We have been talking about this now for close to 4 years, or coming up on it.

Now, 86 percent of the Army's combat medical units are in the Reserve components, and those units provide 70 percent of the Army's required combat medical manpower.

We have substantial shortfalls in the Reserve components, and it just cuts into our combat readiness.

As of June of last year, the Army Reserve components were manned as follows in the critical wartime medical specialties: anesthesiologists, 42 percent manned; surgeons, 36 percent; orthopedic surgeons, 26 percent; operating room nurses, 50 percent; nurse anesthetists, 38 percent; medical-surgical nurses, 74 percent.

Well, we have been talking about these things now for 3 years, the time that I have been very directly involved with it, and for about the 4 or 5 years that I was involved in it before I was on this committee.

The question is this, it seems to me.

If we can't do this with Reserves, how do we do it?

Shy Meyer, before he left office, talked about whether we had gone too far in assigning things to the Reserve. I think if we can't see action on this in a 3-year time period, if we can't see some improvement, then we have to question what we are doing. Maybe it is a matter of pay. Maybe it is taking that function back into the regulars.

I don't know yet what the answer is. That is why we are looking to you, to give us some advice on this.

Thank you, Mr. Chairman.

Senator DIXON. I want to thank the distinguished chairman of the Manpower and Personnel Subcommittee.

The ranking member is Senator Wilson, of California, who also had another meeting to attend this morning. He has just arrived.

Do you care to make any kind of statement before we proceed with our questions?

Senator WILSON. Thank you, Mr. Chairman.

I apologize for having to be at another hearing.

Let me begin by thanking you and my colleagues on the Manpower Committee and the Chairman, Senator Glenn, for convening this meeting and for calling this joint hearing to determine the readiness of the Army's combat support and combat service support units.

It is, I think, more than useful to have both subcommittees focusing jointly on the readiness problems of these units because we do know, obviously, that they exist, and I think the testimony that the two subcommittees will hear today will make clear that solutions to the readiness problems and the Army's combat support and combat service support units cannot come from the actions of a single subcommittee.

Rather, at least these two must act in close cooperation if we are going to be able to contribute to the solution of these problems.

The Manpower Subcommittee, as a case in point, has to decide upon appropriate Active and Reserve mix of force structure for the combat support and service support units, and ensure that the necessary incentives are in place to recruit and retrain the force structure that we determine is necessary.

Your subcommittee obviously has to focus on the training of that force structure to determine that the people in the units are qualified to perform the missions assigned them.

The Conventional Forces Subcommittee must ensure that the equipment authorized and procured for the units is, in fact, necessary and appropriate to the missions and that it is adequate.

If any of these subcommittees were working at cross purposes—and that is possible, with the best intentions in the world—the result would be that we would not make a contribution to the solution, but would be a part of the problem.

So I think the hearing today should help eliminate such a possibility.

We obviously recognize, all of us, that there are readiness problems in these Army units. There cannot help but be.

This is not a condemnation of the Army.

I think in a time of budget constraint and a time when the Secretary of Defense has recognized the need to choose among unwise options forced upon us by those constraints, and has chosen, unhappily, that we will have a smaller force structure, but one that is better trained and better equipped than the "hollow Army" of the 1970's—I think a correct judgment in my estimation—problems of this kind, unhappily, are going to occur.

So, I commend you.

I will read your testimony and, with both subcommittees, will work to achieve the elimination of these problems insofar as we can, with the resources available to us.

Senator DIXON. I thank you very much, Senator Wilson.

I thought I might proceed very briefly, and then I will yield to you and to Senator Glenn for questions.

Senator McCain has been here and has temporarily left the room.

Mr. Davis, getting back to your testimony about the skill qualification tests, would it be an accurate oversimplification of what that test does to indicate that that test tries to determine whether the particular serviceman is qualified to perform the tasks that he is assigned to do?

Mr. DAVIS. That's correct.

What they do is each military occupational specialty has a number of tasks that servicemen are required to perform. This test takes a sample of those tasks and asks questions about it, and so forth.

SKILL QUALIFICATIONS TEST

Senator DIXON. Now, could you characterize for the record how reasonable that skill qualification test is? I presume your office has looked at it.

This is to say that we are not setting some standards that are beyond their capabilities, or anything like that, are we? Are the tests reasonable to test the type of skill they should perform and the limited service they are required to perform?

Mr. DAVIS. Based on the work that we have done and the Army people that we have talked to, we believe it is.

Senator DIXON. A reasonable test?

Mr. DAVIS. Yes.

I think the record shows that the Army, the Active Army people who do take the test are able to pass it.

Senator DIXON. They do quite well?

Mr. DAVIS. They do quite well.

Senator DIXON. Then I will further ask you this question.

You testified earlier that the standard is supposed to be 100 percent of the Active duty people who are supposed to take this skill qualifications test annually, and Reserve personnel are supposed to take it every other year, every 2 years, is that your testimony, essentially?

Mr. DAVIS. That's right.

Senator DIXON. I will ask you whether on the basis of your examination of this whole thing you believe that is a reasonable standard, that requirement.

Mr. BONANNO. I think it takes into consideration the fact, on the part of the Reserves, that training time is limited, and that is the major reason why they schedule the test every 2 years, rather than annually.

Senator DIXON. Yes.

It takes longer to acquire those skills as a training matter because they don't give as much time to it, quite obviously.

Mr. BONANNO. Yes, sir.

Senator DIXON. So your testimony would be that those standards are reasonable for both the Active and the Reserve people?

Mr. DAVIS. Yes.

Senator DIXON. Now, then, if I understand what you are saying, only 74 percent, for instance, rather than 100 percent, of the Active duty people are not taking it?

Mr. DAVIS. This is data for 1987, fiscal year 1987.

Senator DIXON. Fiscal year 1987, last year?

Mr. DAVIS. Yes.

Senator DIXON. You gave some qualification as to why that number was as low as it is, and 32 percent for the Reserves. But, clearly, it would seem to indicate, the chart that you have up there now would indicate—have we established, David, that all of these charts will be placed in the record?

Mr. LYLES. Yes, sir.

Senator DIXON. Let's show that all of those charts will be in the record.

This record does establish then, I would say, that neither the Active duty or the Reserve units are now meeting their own standards that have been placed upon them by the Army, is that correct?

Mr. **Davis**. That's true.

Senator **Dixon**. Do they give you any reason for that? You said a little bit about the Reserves, but what is the reason that would be so?

Mr. **Bonanno**. We really have not done any work, sir, on the Active side.

As Mr. Davis commented earlier as far as the Reserves are concerned, inasmuch as successful completion of the test is not a consideration in promotion, many commanders feel that the soldiers themselves lack the incentive to prepare for and take the test.

Senator **Dixon**. Do you find cases of people that are actually promoted who have not taken the skill qualification test, and notwithstanding that fact, for instance, we are promoting them to the next highest rank?

Mr. **Bonanno**. We did not do the work to determine that.

Senator **Dixon**. Okay.

Ms. Denman, did you wish to make a contribution?

Ms. **Denman**. I would like to point out that the retention in the Reserves also is somewhat lower than the Active Force, and you also have unit designations changing from one year to another.

In situations like that, it is much more difficult for individual soldiers to become trained in a given MOS.

Senator **Dixon**. Before I yield to Senator Glenn, let me just ask the three of you this question, and I appreciate any contribution any of you wishes to say on this subject matter.

If I understand what you are saying, you think that the skill qualification test is a reasonably standard type test to determine the skills for their limited performance. It is not, in other words, something beyond their capability. It is reasonably designed to test their skills for the job they have.

You have also said that you think the standards being reasonable are fairly applied every year to active servicemen and every other year to reservists, so you think the standards are all right in that regard.

So I will ask you whether it would be reasonable for the members of this committee, to wonder whether that ought not to be mandatorily enforced, then, before someone could be, for instance, elevated in rank, theoretically indicating qualifications to perform a task when that determination has not been made by the skill qualification test.

I will ask you what your view is on that.

Mr. **Davis**. The 1 year requirement which the Army has established, we have no evidence that would suggest that that is an unreasonable period of time.

As Charlie said, we did not do a job specifically looking at the Active Army requirements and so forth. But we have no reason to believe that that is not reasonable. There may be valid reasons why 26 percent of the soldiers in the Active Force did not take the test in 1987.

Senator **Dixon**. We will try to find out with the next witnesses.

But do you think that applying the test ought to be a condition precedent to advancing in rank, for instance?

Mr. DAVIS. Yes, sir.

Well, clearly, we would think that the Army would want to know that the people they are advancing can perform according to Army standards. This is the way, apparently, they have been using the test in the Active Force.

I would like to say, however, that the Army Reserve is now considering requiring their people to take the test as a prerequisite for promotion.

Senator DIXON. They are requiring it?

Mr. DAVIS. They are considering requiring it.

Senator DIXON. I see.

Well, I see some heads shaking "no" among the uniformed authorities behind you. So we will determine that later.

I am going to yield to the distinguished chairman of the Manpower and Personnel Subcommittee, Senator Glenn.

Senator GLENN. Thank you. Thank you very much.

Let me follow up on some of your line of questioning.

LENGTH OF TRAINING

Given the length of the training required for combat support and combat service support skills, and 48 drill periods required for reservists per year, do you believe there is any realistic hope of the Army correcting this serious readiness problem in the near future without restructuring the active-reserve force mix?

Mr. DAVIS. I am not sure, Senator.

I think the Army recognizes that time is an important element, that there does not seem to be sufficient time. The Army, in some of the Reserve units, lacks sufficient equipment for the people to be appropriately trained on. The Army is taking some actions right now, in terms of adding more equipment. They are developing some training centers that they think would be more helpful in this area.

I think it is reasonable to assume that there is going to be some progress made, and I think that they can point to some progress in the last couple of years. Whether it is enough, whether it ever will be enough, how fast they can get there, I don't know.

We know, for example, as you said, Senator, earlier in your comments about the medical situation, that not only are there shortages of medical people, but many of the people that are in the Reserves do not have the proper MOSs, are not qualified.

This has been a problem that has existed for a number of years. However, we see little progress.

Senator GLENN. You have looked at the training initiatives that are going to be pursued or are being pursued for the Army. In your opinion, will these have an appreciable effect on performance of the Reserve and Guard soldiers?

Mr. DAVIS. We are aware of some of the studies that the Army has taken in terms of looking at some of the problems.

We have not looked at any of the specific initiatives in detail to know exactly how much progress they are going to make.

Senator GLENN. The ones that they are proposing now, are they substantially different from past training initiatives?

We have a series of things over the years.

Mr. **Bonanno**. I think they are, Senator. I think the Army recently established a task force to develop an overall training strategy for reservists, which is going to take into consideration the limited training time available. They are trying to reconfigure the courses that are taught in the Reserve component so that they can be completed in a year's time.

I think part of that reconfiguration is going to take a look at whether it is necessary to train reservists in all of the critical tasks for which Active duty soldiers are now responsible.

Senator **Glenn**. Well, that is a good question and I am glad you raised it because it is one of the questions that I had here to ask. Should we expect reservists to be trained to the same standards as Active Force soldiers?

Mr. **Bonanno**. I think the answer is that in those tasks that are determined to be critical by the Army, the standard should be the same. The question becomes do the reservists need to be trained in all of the critical tasks, and that is something that the Army has under consideration.

I am sure we would want to defer to their judgment on that.

TRAINING METHODS

Senator **Glenn**. In looking at training methods and so on, do you have any ideas for innovative options that you think they should be considering that are not being used?

Mr. **Bonanno**. We have an assignment that is underway right now, Senator, where we are getting out to units and talking to commanders about underlying causes of the skill qualification problem, and we hope to gain some insight from those discussions as to whether the initiatives that the Army has identified are likely to get at the underlying causes. Hopefully, we might gain some insights as well into other things that could be considered.

Ms. **Denman**. If I might add, the significance would also relate very much to the time these units are needed to be in the theater of combat operations. For example, we found that medical units are expected to be needed within the first 30 days of combat, yet based upon their latest arrival date and the fact they are generally not combat ready, they are not expected to arrive until much later.

Consequently, one might not be as concerned that the units did not have the required equipment or trained personnel if they were not expected to be needed until much later. However, we believe when these units are needed to support forward deployed forces in the early days of combat operations, their lack of having properly trained personnel and required equipment would be much more serious.

MEDICAL UNITS

Senator **Glenn**. I am glad you brought up the medical because that is one concern that I have really had for several years, and it is getting worse instead of better, I'm afraid.

For instance, the total Army hospital requirements, 146 units: 77 percent are in the Reserve and Guard components, and as a total of the Army's other medical units, 64 percent are in the Reserve and Guard. And yet, the fill rate that I read through earlier, which we can put in the record also and which you have in your statement on page 7, I believe, indicates a very, very bad situation.

We are short 19,000 nurses; 58,000 enlisted medical specialists.

From your look at this, do you think the Army can overcome these?

Those are staggering shortfalls. Can they overcome those within the near future, say within the next year or so?

Mr. DAVIS. No, I don't think so.

In fact, I think the Army has already testified that the original date that they were shooting for early in the 1991–1992 timeframe, I think—is expected to be missed, and it is even going to take them longer in the medical area to "get well."

Senator GLENN. They have a medical readiness strategic plan that indicates the Army will solve most of its position manning problems in the Reserve and Guard by 1992.

Now, that seems to be very ambitious and very optimistic, to me.

Do you believe the Army is capable of making up those shortfalls in that period of time?

Mr. DAVIS. We have not specifically looked at that, sir. But I thought that recently, Dr. Mayer had testified that he saw the 1992 date slipping some.

MEDICAL EQUIPMENT

Senator GLENN. How about the ability to furnish equipment and so on? Is that going to be directly dependent on what we do here, on Capitol Hill, as far as furnishing money? Or can the equipment that is short also for that time period be made up?

As you know, the Congress in the last couple of years has specifically set aside some money for the Reserves, and 1987 was the first time that the Army spent about $17 million to buy some medical equipment. That was their first procurement of medical equipment, with that directed money, that specifically directed program.

Ms. DENMAN. If I might add, sir, based upon the Army's philosophy that its primary mission is deterrence, many of the units that we are talking about may not be considered deterrent capability, unless one defines "deterrence" as being the ability to carry on war-fighting capability for a certain length of time.

I believe the Army's statement said that tanks deter and transportation units don't. The sequel might be that tanks deter, medical units don't.

Consequently, in the Army's process of determining how available equipment and personnel will be applied toward filling unit requirements, the Army puts less emphasis on filling the needs of these combat service support units because they will not be needed unless there is combat.

Senator GLENN. Well, okay. That's sad, but true, I guess.

I have taken a whole different view of that, I'm afraid.

We are getting into a bit of a philosophical discussion now, but if Armed Forces are a part of that, as are the tanks out there, and that's what we look at, that is what "Time" magazine counts, compares, the bombers and so on, but the tanks don't stay there for any length of time unless the logistics tail, the trucks, the gas, and the diesel fuel, and the transportation are there, and if people are getting shot at, the tanks certainly don't stay there very long unless you have some medical backup for them when people are getting hurt.

The Soviets are not blind and dumb. We cannot bluff them by sending a lot of tanks out there and then not providing the logistics tail and the medical support and everything that is necessary for sustained combat. They are certainly aware of that.

So, I don't think we bluff anybody by just concentrating on the numbers of whatever the shooting vehicles may be.

It requires an awful lot of work. I don't know what the current ratio is, as a matter of fact. I think it is like for every person in combat, actually getting shot at, out there where the shooting is going on, it is something like, what is it, 12, 13, or 14 to 1 in the logistics tail? Those are just as important, or there won't be any shooting going on out there.

Mr. **Davis**. Senator, I asked Julia to put this chart up.

I just want to make a point to support what she said. What we are talking about here is the M+10 essential forces, and these are the combat service support units that are assigned to support the commitment that the United States has made.

If you look at the column where it says "combat service support," and you look at the forward deployed units, these are units that are in Europe today, and we see that [deleted] percent of the combat service support units, which include medical, that are in Europe today are not combat ready.

But if you look at the combat forces in Europe today, most of them, if not all of them are combat ready. The emphasis has been on the combat units at the expense of support units.

Senator **Glenn**. I think I am already over my time, Mr. Chairman, but I do have a couple of more questions.

Senator **Dixon**. Why don't you go ahead and conclude, then.

TOTAL FORCE POLICY

Senator **Glenn**. I am concerned also about who is making decisions in these areas on our total force policy.

We have had before the Manpower Subcommittee issues that have been raised of who is responsible for total force policy, and who is actually doing the assignment to Active and Reserve Forces in these mix decisions.

We have not had any very straightforward answer on this, I'm afraid. I don't know whether this is done on a sort of ad hoc basis over at OSD, out of that office, with no one office in charge.

In your judgment, in the Army in particular, who is responsible for making these decisions on total force policy, what will be in the Regulars, what will be Reserves? Who approves this?

Is that a decisionmaking process that is very clear-cut, or is this something that needs to be straightened out so that we can get answers in some of these other areas?

Who decides what missions are to be assigned to the Reserve Forces and how are the decisions made? I guess that is a straightforward question.

Ms. **Denman**. If I might address the question, I would first like to say it is very difficult to look at this problem because of the difference in the operational planning and the determination of requirements by the theater operational commanders, or CINC's, and the program planning and development of future program requirements by the Army staff. It is important to recognize that these are two different processes and there is no linkage between them.

But, with regard to force structure planning and the development of the Active/Reserve mix, I would say that it is a combined process of the Army Training and Doctrine Command and the Army staff.

Senator GLENN. Does that mean that nobody is really in charge, then?

Ms. DENMAN. Well, we attempted to look at the force structure development process as part of our work on the M+10 essential force. Essentially, we found part of the process is an allocation. If you are going to have 28 combat divisions and 18 of them in the Active Force, and you have an end strength of 781,000 active duty personnel, that is going to determine very much what activities are in the Active Force after deducting the divisional spaces, the remaining active spaces are allocated to headquarters, administrative and nondivision combat support/combat service support positions.

What we essentially concluded needs to be done is an overall assessment of what it is that the Army wants to accomplish. For example, is it to attain the ability to fight in Europe for, say, 30 days? If so, what is the warning time and how soon do you need people mobilized from the United States to support the forward deployed forces. Clarifying these assumptions would be a crucial first step in beginning the process of determining the desired Active/Reserve mix.

Senator GLENN. Well, who evaluates the ability of the Guard or the Reserve to accept a mission? Does somebody evaluate that? If so, who is it?

Ms. DENMAN. I don't believe that that was really part of our study, and I can't really say.

One of the things that I could point out is the difficulty in assessing this is that there is very little evidence in operational exercises as to the criticality of the impact of these kinds of shortages. Because of the way exercises are run, they are generally run to look at fighting capability in terms of moving things to where they have to be, and they assume many things that suggest that these combat service support units could be there when they really could not get there in time to perform required support tasks.

You also would have to recognize that if these combat service support forces are not there, the Army may not be able to successfully employ the combat forces because they would not have the ammunition, and other material needed to fight and they would not have medical personnel and equipment to take care of the casualties.

But there is not really a good assessment of the operational impact of the shortages of these forces.

Senator GLENN. Well, given the current status of combat readiness of the units, with [deleted] percent not combat ready—I repeat, [deleted] percent is not combat ready—I just think it calls into question the decisionmaking process over there.

Now, this is not something new. It has been going on for years and we should have been correcting this a long time ago.

I know we have new plans, training plans, and that sort of thing. But we have heard about training plans before, and here we are, sitting here with a situation that is at least as bad and maybe getting worse.

Shy Meyer called this into question, about assigning missions without considering how they were going to be carried out.

The question that I would ask—and this would be my last question, Mr. Chairman; thank you for your patience here—is this. Do you believe in your look at this that the Reserve can carry out their assigned missions now, or should there be some retrenchment back into the regular forces of these functions?

Mr. DAVIS. Clearly, as we pointed out earlier, since many of these missions are with the Reserve Forces that are here in the United States, they would have a difficult time carrying out their mission.

In Senator McCain's opening comments, he noted some of the problems which the Army has in terms of the lift capacity to get U.S.-based units where they are needed as well as not having required personnel and equipment. Although many of the M+10 Reserve units qualify to have equipment pre-positioned they have not been authorized to pre-position any of that equipment.

So, the data suggests, that a lot of those forces would have a difficult time accomplishing their mission with these units in their current status.

Senator GLENN. That is in addition to the units not being able to perform, and, again, they are [deleted] percent not-combat-ready units, even if they have transportation.

Mr. DAVIS. That is true.

Senator DIXON. I want to thank you, Senator Glenn. I am going to ask just a couple of brief questions of Mr. Davis and will conclude by 11 o'clock with you folks.

Then, Senator Glenn, if there is a rollcall, maybe you could go over first to vote and then come back, and I will then go, so that we will try not to interrupt this too much, and then will go to the Army.

ARMY NATIONAL GUARD BRIGADES

Mr. Davis, I want to talk a little bit about the Army National Guard's round-out brigades, which you talked about.

Are you saying in your statement that, although the Active divisions to which these National Guard round-out brigades are assigned are part of the U.S. 10 divisions in 10 days force for NATO, the Army currently plans to round out these specific divisions with other Active brigades, instead of their designated round-out brigades?

That is my first question.

My second question is, What is the purpose of the round-out brigades in the National Guard if they don't deploy to the division they are supposed to round out?

Mr. DAVIS. The answer to your first question is yes.

Senator DIXON. You are saying that they are going to use Active, instead?

Mr. DAVIS. They are going to use other Active brigades, right.

Senator DIXON. Well, then, I don't get the theory of the rounding out.

Mr. DAVIS. The purpose of the round-out brigade, as we understand it, is to use it to round out a division that has two Active brigades. Then the National Guard would be the third brigade, which would round out the division. That is the whole concept.

But in the examples that we have in our statement, I think it is fair to say that the round-out concept is not being followed as you and I understand it.

Mr. BONANNO. I think part of the theory, sir, is that the Army could quickly deploy the Active duty brigades of a division, with the round-out brigade to follow later. However, in the case of the M+10 essential force, where those divisions are required in the very early days of conflict, I think the Army's feeling currently is that they could not get those Reserve brigades there in time. That, therefore, is why they would go to the Active brigades.

Senator DIXON. I think your essential testimony here is that, in fact, that does not take place. The round-out brigade in the National Guard is then a fiction, and I don't mean to over-simplify it.

Mr. DAVIS. Well, in this particular case, that may be true.

I think it gets back to the question that Senator Glenn raised in terms of when you assign missions to the Reserve or the Guard, who really assesses it in terms of do-ability, in terms of the total force concept—we can do certain things conceptually, but whether we can actually execute it or not is another matter.

Ms. DENMAN. What is important is to recognize on the round-out brigades is their ability to get equipment, their priority to get equipment is very high, based upon, the fact that they are rounding out M+10 essential force units.

But you have many combat service support units that are expected to be needed to support forward deployed M+10 combat forces who have a lower priority for getting equipment than these round-out brigades that are actually not in the M+10 essential force.

Senator DIXON. We may pursue this a little bit with some follow-up questions in writing, if you don't mind, Ms. Denman. We are kind of running out of time here.

We are honored to have our distinguished ranking member, the distinguished Senator from Virginia, Senator John Warner, here.

Did you have anything that you wished to get on the record, Senator?

Senator WARNER. Not at this point, Mr. Chairman. I think this is an important hearing and I am glad to see that we are holding it.

Senator DIXON. We are happy to have you here and we appreciate you giving us some of your time.

I want to thank you all. We are going to hear from the Army now.

Let me say that you have no responsibility to stay at all. You are free to go. But if any or all of you want to stay to hear the Army's point of view on this, it might be helpful to us in our followups with you later because I do want to pursue some of this candidly.

I would say to my distinguished co-chairman here that he, in his degree of expertise, in comparison with this Senator, is overwhelming, so I don't pretend to know anything like what he knows, but I, too, am concerned about some of the things that you testified to, about some of these standards that we have that we are not applying and some of the theoretical steps that we have taken for readiness and sustainability that, apparently, are not in fact, actually taking place.

We thank you for your testimony.

Mr. DAVIS. You are welcome.

Senator DIXON. You are excused, but you are welcome to stay.

We are delighted to invite our second panel this morning. From the Army, we have Maj. Gen. James D. Smith, Director of Operations, Readiness and Mobilization, Office of the Deputy Chief of Staff for Operations and Plans, and Maj. Gen. William F. Ward, the Chief of the Army Reserve, and Maj. Gen. Donald Burdick, the Director of the Army National Guard.

May I say to each of you distinguished gentlemen that we have read your statements. They will be introduced in the record in full.

It would accommodate all of us a great deal, may I say, if each of you could testify with some degree of brevity. If you could limit yourselves to 10 minutes, it would be greatly appreciated.

We are going to try to go through a staggered procedure for the vote and leave one at a time. It looks like the vote is beginning.

May I say to each of you gentlemen that, as you no doubt notice, we are having a rollcall vote, and we will try to leave one at a time and to return, so as to try to keep this hearing from being interrupted, but that may not be possible.

First we have Maj. Gen. James D. Smith, the Director of Operations, Readiness and Mobilization.

Would you privilege us with your testimony, please, General.

STATEMENT OF MAJ. GEN. JAMES D. SMITH, USA, DIRECTOR OF OPERATIONS, READINESS AND MOBILIZATION, OFFICE OF THE DEPUTY CHIEF OF STAFF FOR OPERATIONS AND PLANS

General SMITH. Yes, sir.

Sir, I have a brief statement.

Mr. Chairman and members of the committee, it is a privilege for me to have the opportunity to appear before your committee to discuss the important issues concerning the ability of the Army to support the M+10 essential force in the conduct of initial combat operations in Europe.

Army combat support and combat service support units, which we refer to as CS/CSS, receive a significant amount of attention because of the critical role they have in successful combat operations.

The CS/CSS units are not without problems, and the Army is well aware of these problems.

Past testimony over the years has pointed out Army concerns with CS and CSS.

The GAO testimony also outlines these problems fairly accurately. These, therefore, are not new issues.

The Army has made improvements in many CS and CSS areas, and several initiatives are underway to continue to improve CS/CSS capability.

I will share these initiatives with you, sir, so that you can understand what the Army is doing, and highlight those areas in which we need assistance from you.

Let's take a moment to reflect on how we got to today's CS/CSS situation.

In the early 1970's the Army had an active strength of around 810,000 soldiers, with 13 divisions. These divisions had a preponderance of Active Army CS/CSS units backing them, and many were forward deployed in Europe.

However, this "tooth to tail" ratio was increased in the mid-1970's, by congressional direction, and, on balance, this was a good decision and one that the Army eventually supported.

It provided an economic saving and reflected a realization that combat units, not support units, deter Soviet aggression.

Some of you may recall former Army Chief of Staff, General Abrams' testimony, in which he related Stalin's remark upon being informed that the Pope was angry with him. Stalin asked, "Oh, and how many divisions does the Pope have?"

Well, sir, we, too, rely on active combat divisions for deterrence, and we consciously place a majority of our CS/CSS structure into the U.S. Army Reserve and the Army National Guard.

From some of the force structure savings that were generated during this earlier period, three new Army divisions were created: the 7th Division, the 5th Mechanized Division, and the 24th Mechanized Division.

The actions that were taken, on review, were prudent from a military and strategic perspective, and we believe, have played an effective role in our country's overall deterrence posture.

I should add that this same philosophy regarding combat units is followed with regard to the mix of forces under the European troop strength ceiling, which places limits on the number of forward deployed Army forces.

Today, the Active Army has an authorized end strength of 781,000 soldiers, and 18 divisions.

We have strategic responsibilities around the world. The JCS planning force, to meet these responsibilities is [deleted] divisions with their associated support structure, and this accepts a [deleted].

Senator DIXON. General, I am reluctant to interrupt you, but in view of the fact that our rollcalls are on regular order, unless Senator Warner and I leave now, we will miss this fairly important rollcall which we have debated for about 2 days.

It is with some reluctance that I interrupt you now.

Senator WARNER. May I ask just one question for the record, to be answered later?

Senator DIXON. Sure.

Senator WARNER. I am getting a pretty good grasp on what the problem is. Are you going to address solutions today?

General SMITH. Yes, sir.

I will walk through some solutions with you.

Senator DIXON. Well, then, will you excuse us. If Senator Glenn gets back before we do, immediately upon his return, if you will, begin where you left off. We would appreciate that.

I apologize for the necessity of this, but there is no alternative.

[A brief recess was taken.]

Senator GLENN [presiding]. The hearing will be in order.

I apologize for the truncated nature of our hearing. You are familiar with our procedures, of course, and our votes do have to take precedence.

I am sorry to have cut you off. You were right in the middle of your statement, I believe, General.

General SMITH. Yes, Mr. Chairman. I was in the middle of my statement. I will go back to the beginning of a paragraph, though, to try to give us a little better continuity.

Today, the Active Army has an authorized end strength of 781,000 and 18 divisions. We have strategic responsibilities around the world. The JCS planning force to meet these requirements is [deleted] divisions with their associated support structure. This accepts a [deleted].

By comparison, CINC stated requirements are for [deleted]. However, we have only 28 divisions, when we include those of the Army National Guard. The resulting shortfall constitutes a risk that limits deterrence. But, because of the wide variety of possible Army commitments worldwide, we attempt to balance our tradeoffs for an adequate mix of forces.

Our challenge is to field an optimal combination of forces—heavy, light, special operations, CS/CSS, all properly postured. We are not in a position to convert combat forces to support when we are already short combat forces.

General Galvin, U.S. CINCEUR, stated before the House Appropriations Committee on the first of February of this year that his primary mission was to deter war and to maintain the peace. We believe that combat divisions, infantry and armor units, deter. Truck and materiel handling units do not.

However, as mentioned earlier, we fully recognize the importance of adequate CS and CSS units.

Sir, I wish to emphasize these points.

First, the Army has recognized problems associated with the CS/CSS units supporting the M+10 essential force.

Second, our Active Force is not optimized to fight the Soviets, as it has been structured combat heavy to get the most out of the force that we do have—maximum deterrence and adequate capability across the entire spectrum of conflict. We are absolutely dependent upon Reserve component support.

Third, our first mission is to deter, and our forward deployed forces and NATO allies have successfully accomplished this mission for over the past 40 years.

My final point is that credible deterrence is tied to an ability to rapidly reinforce Europe with sufficient U.S. forces to preclude the Soviets from obtaining force ratios deemed appropriate by them for the initiation of offensive operations.

Sir, I request that you take a moment to join me and page through the slides enclosed with my opening statement. You will find them following page 5. They lay out some of the significant efforts that we are making to enhance our CS/CSS posture, so that the Army will be better able to support our combat units.

These slides cover in order the following points:

Army readiness levels, first by component and, on the following slide, by resource. Please note that the readiness improvements since October, 1985, are in the right column.

Next are ongoing readiness improvement efforts for equipment, followed by those for personnel.

Listed next are some readiness detractors, and the next slide outlines what is needed to deploy 10 divisions to NATO in 10 days.

This is followed by strategic lift factors that need congressional support.

Next you will find CS/CSS improvements that are underway.

Last, is the congressional assistance that we need to succeed in these areas.

I am ready to discuss these initiatives as well as the other issues highlighted in the GAO testimony.

In conclusion, and most importantly, I believe we are mutually concerned with providing the best national defense within the limits of our constrained resources.

I assure you that the Army is committed to this goal. We will continue to improve our combat and support forces to meet our national commitments and provide for the security of our Nation. The Army needs and appreciates your continued effort and support in helping us meet our security goals.

Thank you, sir.

[The prepared statement of General Smith follows:]

Prepared Statement of Maj. Gen. J.D. Smith, Director of Operations, Readiness and Mobilization, Office of the Deputy Chief of Staff for Operations and Plans, U.S. Army

Mr. Chairman and members of the committee, it is a privilege for me to have the opportunity to appear before your committee to discuss the important issues concerning the ability of the Army to support the M+10 essential force in the conduct of initial combat operations in Europe. Army combat support and combat service support units which we refer to as CS/CSS, receive a significant amount of attention because of the critical role they have in successful combat operations. The CS/CSS units are not without problems and the Army is well aware of these problems. The GAO testimony outlines these problems fairly accurately. These, however, are not new issues. The Army has made improvements in many CS/CSS areas, and several initiatives are underway to continue to improve CS/CSS capability. I will share these initiatives with you so that you can understand what the Army is doing and to highlight those areas in which we need assistance from you.

Let's take a moment to reflect on how we got to today's CS/CSS situation. In the early 1970's the Army had an active strength of around 810,000 with 13 divisions. These divisions had a preponderance of Active Army CS/CSS units backing them and many were forward deployed in Europe. However, this "tooth to tail" ratio was increased in the mid-1970's, by congressional direction. On balance, this was a good decision and one that the Army eventually supported. It provided an economic savings and reflected a realization that combat units, not support units, deter Soviet aggression. Some of you may recall former Army Chief of Staff Gen. Abrams' testimony, in which he related Stalin's remark upon being informed that the Pope was angry with him. Stalin asked "Oh, and how many divisions does the Pope have?" Well, we too rely on active combat divisions for deterrence and we have consciously placed a majority of our CS/CSS structure into the U.S. Army Reserve and National Guard. From some of the force structure savings that were generated during this earlier period, three new Army divisions were created (7th, 5th, and 24th). The actions that were taken, on review, were prudent from a military and strategic perspective and we believe, have played an effective role in our country's overall deterrence posture. I should add that this same philosophy regarding combat units is followed with regard to the mix of forces under the European troop strength ceiling which places limits on the number of forward deployed Army forces.

Today the Active Army has an authorized end strength of 781,000 and 18 divisions. We have strategic responsibilities around the world. The JCS planning force to meet these responsibilities is [deleted] divisions with their associated support structure—this accepts [deleted]. By comparison, CINC stated requirements are for [deleted]. However, we only have 28 divisions, when we include those of the Army National Guard. The resulting shortfall constitutes a risk that limits deterrence. But, because of the wide variety of possible Army commitments worldwide, we attempt to balance our tradeoffs for an adequate mix of forces. Our challenge is to field an optimal combination of forces (HVY, LISAS, special OPS, CS/CSS properly postured. We are not in a position to convert combat forces to support when we're already short in combat forces. Gen. Galvin, U.S. CINCEUR, stated before the House Appropriations Committee on 1 Feb 88 that his primary mission is to deter war and to maintain the peace. We believe that divisions (infantry and armor units) deter—truck and material handling units don't. However, as mentioned earlier, we fully recognize the importance of adequate CS/CSS units.

I wish to emphasize these points.

The Army has recognized problems associated with the CS/CSS units supporting the M+10 essential force.

Our Active Force is not optimized to fight the Soviets, as it has been structured combat heavy to get the most out of the force we have—maximum deterrence and adequate capability across the entire spectrum of conflict. We are absolutely dependent upon Reserve component support.

Our first mission is to deter and our forward deployed forces and NATO allies have successfully accomplished this mission for over the past 40 years.

And finally—that credible deterrence is tied to an ability to rapidly reinforce Europe with sufficient U.S. forces to preclude the Soviets from obtaining force ratios deemed appropriate by them for the initiation of offensive operations.

I request that you take a moment to join me and page through the slides enclosed with my opening statement. You will find them following page 5. They lay out some of the significant efforts we are making to enhance our CS/CSS posture so that the Army will be better able to support our combat units. These slides cover in order the following points: Army readiness levels first by component and on the following slide by resource (please note the readiness improvements since October 1985 in the right column); next are ongoing readiness improvement efforts for equipment followed by those for personnel; listed next are some readiness detractors; the next slide outlines what is needed to deploy 10 divisions to NATO in 10 days; this is followed by strategic lift factors that need support; next you'll find CS/CSS improvements that are underway and lastly is the congressional assistance that we need to succeed in these areas. I am ready to discuss these initiatives as well as the other issues highlighted in the GAO testimony.

In conclusion, and most importantly, I believe we are mutually concerned with providing for the best national defense within the limits of our constrained resources. I assure you that the Army is committed to this goal. We will continue to improve our combat and support forces to meet our national commitments and provide for the security of our Nation. The Army needs and appreciates your continued support in helping us meet our security goals. Thank you.

[Slides are retained in committee files.]

Senator GLENN. Thank you, General.

General Ward, do you have a statement?

STATEMENT OF MAJ. GEN. WILLIAM F. WARD, USAR, CHIEF, U.S. ARMY RESERVE

General WARD. Yes, sir.

Mr. Chairman and members of the committee, I am pleased to be here today. I want to summarize this testimony on behalf of the more than 600,000 citizen soldiers who are assigned to units of the Individual Ready Reserve of the Army Reserve.

The Army Reserve provides about 7 percent of the total Army's combat units and about one-third of its total combat support and combat service support units.

Of the reporting units in the Army Reserve, 23 percent are assigned to combat service missions and 59 percent have combat service support roles.

Trends are showing improvement in the readiness of CS and CSS units, and, while modest, they have been consistent and will continue to increase as additional resources become available over the next several years.

Attached to my testimony are a series of charts. The first one deals with manning, and the second one is a trend chart, which points out the trends in the readiness status, resource areas, C-1 and C-3, from April, 1985, to October, 1987. It reflects the same kind of improvement, modest in the early years, but escalating in the later timeframe, of the U.S Army Reserve units.

A review of recent readiness reports indicates that, of the approximately 300 Reserve CSS units supporting units with an early deploying mission, [deleted] percent were at C-3 or better in October, 1985. By the end of 1987, that number had gone up to [deleted] percent, and we expect these improvements to continue in the force readiness programs discussed by General Smith, in enhanced equipment and in the personnel readiness in military occupational specialty qualification.

The status of all reporting units has improved steadily since 1985. At that time, [deleted] units were rated C-3 or better; whereas in October, 1987, [deleted] units were rated C-3 or better. This is a 14 percent improvement during a 29-month base when 300 units were added.

I would submit that the issue Senator Glenn raised about missioning is more one of resourcing. Furthermore, I would point out that the resources of the U.S. Army Reserve are but 4.1 percent of the total Army budget in fiscal year 1989; however, the Army Reserve provides close to 40 percent of the soldiers to be deployed upon mobilization.

Progress has also been made in obtaining substantial quantities of equipment through the dedicated procurement program.

The slide shows the value to the Army Reserve. Please note that in the early years, the numbers were relatively small, but they began to move up almost exponentially in 1986 and 1987. The good news is the equipment-on-hand statistics that will become available in the next couple of years.

Our ground rule is that by 1991 we will have over [deleted] percent of the equipment on hand for the Army Reserve placed in the C-3 and above category.

Harkening back to the early years, that is a significant improvement, which is related to things like SQT, which I will get to in a moment.

In April, 1985, [deleted] units were rated C-3 or better for equipment on hand; and a total of [deleted] units were rated C-3 or better for a level of fill for equipment on hand in 1987. That is an improvement of about 25 percent.

Recruiting of medical personnel remains a significant challenge, and there are still shortages in some medical specialties that are critically needed for mobilization—particularly thoracic surgeons, neurosurgeons, general surgeons, OR nurses, and nurse anesthetists. That is covered in the selected surgical specialties for the Medical Corps slide which follows the dedicated procurement slide.

Responding to the challenge of recruiting physicians and nurses, we have authorized 75 additional AGR positions for nurse recruiting support this fiscal year. This force, aided by the newly created stipend program, is expected to produce an additional 227 physicians and 600 nurses each year.

So this should make a substantial impact on the issue of whether, for the troop program units, we will be able to meet the critical specialties by the year 1992.

It does not address, however, the total mobilization requirements, which go beyond those of just the units.

We have also provided 12 AGR soldiers for management of the National Augmentation Detachment. If you take a look at the shortage of skills, which follows behind the Medical Corps and the nursing skills, you will see how the National Augmentation Detachment fits into the strategy of meeting their requirements for meeting those skill shortages.

That detachment is designed as an administrative and training element for health professionals who were assigned to Reserve units but not available to train with units on a regular basis, primarily because of geographical constraints and in some cases time constraints. This enables the recruiting force to take full advantage of the civilian market by offering a nationwide program, particularly important in some of those technical skills.

Significant progress also has been made in equipping our medical force. The deployable medical systems, DEPMEDS, initiative, provides standard Department of Defense modular material sets for use throughout the theater of operations. To date, four Army Reserve hospitals have been equipped with DEPMEDS equipment, and a total of 94 will be equipped by the end of fiscal year 1993.

One of the great challenges facing the Army Reserve at all levels of command is the training of our enlisted soldiers in their military occupational specialties. Individual soldier qualification is the cornerstone of efficient and collective training and remains one of our highest priorities.

Innovative programs and policies that focus on essential leadership and technical training and make the maximum use of available training materials are being developed by the Army service schools system. Also being developed are things that are specific to the Reserve components that fit the 4, 8, 16 hour time blocks that fit in with the Reserve training schedules.

Civilian institutions are being used in high tech or low density MOS's. Of the 300-plus MOS's in the Army, the Army Reserve has just about every one of them. Close to 200 of those are low density MOS's.

These new incentives will provide significant improvement in skill attainment.

We intend to fully pursue the use of SQT to identify sustaining training needs. The Reserve soldier takes the same SQT as the active soldier. However, he takes it on a 2-year cycle, rather than a 1-year cycle.

In attempting to reconcile the numbers in the GAO study, I am unable to reconcile the numerator and the denominator. The denominator might be the 2-year inventory available; whereas the numerator might only be the people who took it in 12 months. We are unable to reconcile those numbers and hope that we can work on it with the GAO.

The standard Army SQT, however, sometimes includes the testing on equipment not available to the reservist. The Active component does not test everybody because its policy is not to test certain grades or certain MOS's. The same policy applies to the Reserve components.

I would like to submit for the record, if I might, some SQT statistics on trends that show that through February of this year, of people scored taking the SQT about 83 percent passed with a 70 percent average. Last week I visited the 90th ARCOM, where, because of an intensive effort last year, at the cost of a lot of unit training, they were able to test 75 percent of their personnel, and 90 percent passed. The ARCOM commander said that there is no free lunch. It cost him greatly in unit integrity and unit training time to do it.

The SQT sometimes includes training on equipment not available, and that is a major disconnect in comparisons of the testing programs of the Active and Reserve components. There is no SQT written for the equipment that the reservist has, and that is why we need a waiver for promotion purposes. There is a substantial number of MOS's, where the SQT reflects equipment that the Reserve unit has never seen. It would be unfair and very counter-productive to a unit's development to test on equipment that would not be seen in Reserve units for 3 to 5 years.

The TRADOC RC Training Strategy Task Force, on which OCAR serves, is reviewing the SQT to develop a test specifically tailored to the mission and equipment available in the Reserve component units.

Before I leave the topic of training readiness, however, I would like to talk about one of the more successful programs, overseas deployment training.

We participated in eight major, and several smaller, OCONUS exercises last year. OCONUS training has grown from 12 units in 1976 to 1,500 units or cells, and about 25,000 soldiers in fiscal year 1988. More than 33,000 soldiers are expected to participate in 1989. This is a significant factor in improving retention, readiness, and skill qualification.

Incidentally, the skill qualification is related to three elements: a written test, a hands-on test, dealing with the equipment the soldier has, and a commander's evaluation. This is particularly important to a number of our soldiers whose first language is not English. They do supremely well on the equipment tests, but not all that well on the written tests. Those written tests are difficult and very demanding.

As the Nation's largest source of trained individual manpower, the IRR is a critical element in the total mobilization planning. There is an IRR composition chart in your handout. About 65 percent of the officers and 70 percent of the enlisted people in the IRR carry combat support and combat service support specialties. The balance are combat arms soldiers.

The readiness of IRR soldiers to fill the identifiable wartime shortages and their ability to perform successfully in Active and Reserve units upon mobilization are essential factors in the mobilization equation. However, I do not see this aspect cranked into the analysis of these units. I will observe for a moment some of the complications of the measuring process.

Senator DIXON [presiding]. I have to interrupt you, General, for just a moment.

Let me tell you about the time constraints that we are going to have here, for the benefit of you and General Burdick. We are going to have to finish at about noon, because we have other hearings in this room starting at about 1 o'clock, other subcommittees. So we are going to have some time constraints, I'm afraid. We are very anxious to get to the questions and answers on this subject.

General WARD. I will just cover this quickly because it is our response to a couple of the questions.

Senator DIXON. I am reluctant to interrupt you at all, but we do have serious time constraints.

General WARD. For example, assume I have 100 soldiers authorized and 118 assigned, of whom 89 are MOS qualified. Because I have no schools account, and because I am preparing people who are awaiting intitial active duty training they do not count toward the MOS qualified percentage.

There is no way, even though I am more than 100 percent manned, that I am ever going to be C-1, because we do not receive credit for soldiers waiting to enroll in formal schools.

Now, we keep the incentives on the unit to keep them full because of personnel turbulence, such as, retirement, and transfers to the Active component to the National Guard and back. If we relate incentives to C ratings, we ultimately degrade the ability of that force to mobilize.

We have been trying to stay away from body counting. It is a great temptation, but I am trying to stay away from it.

I would like to thank you for the opportunity to be here and state that readiness will continue to improve as a result of enhanced unit training, overseas deployment training, additions in full-time unit support, and the dedicated procurement program. It is improving very visibly and very dramatically. I would submit that the issue is not missions for the Reserve, but the resourcing of Reserve units.

I thank you very much, Mr. Chairman. It has been my pleasure to be here and to discuss the readiness of Reserve units in behalf of all of the 600,000 dedicated citizen soldiers.

[The prepared statement of General Ward follows:]

PREPARED STATEMENT BY MAJ. GEN. WILLIAM F. WARD, CHIEF, ARMY RESERVE

Mr. Chairman and members of the committee, I am pleased to be here today to discuss the readiness of the more than 600 thousand citizen soldiers assigned to units and to the Individual Ready Reserve (IRR) of the Army Reserve. As you are aware, the Army Reserve provides about seven percent of the total Army's combat units and fully one-third of its total combat support and combat service support forces. Signal, engineer, and military police are examples of combat support functions; Medical, Transportation, and Judge Advocate General are examples of combat service support functions. Of the reporting units in the Army Reserve, 23 percent are assigned a combat support (CS) mission and 59 percent a combat service support

(CSS) mission. This ratio facilitates recruiting from a civilian work force having skills transferable to units with combat support and combat service support missions. As the Secretary of the Army and the Chief of Staff point out in their fiscal year 1989 posture statement, the assignment of appropriate missions to the Reserve components continues to be a cost effective means of expanding total Army readiness and mobilization capacity.

The Army evaluated its units' overall readiness for combat by analyzing their equipment, personnel, and training qualifications statuses. The system used to make these evaluations is an admittedly less than perfect one, which contains at least as much art as it does science. We are working to improve our ability to quantify true combat readiness more accurately.

Readiness within the Army Reserve's combat support and combat service support units has been and continues to be a priority issue. The Army's ability to support combat operations globally, and particularly in Europe, receives the close attention of senior Army leadership. Trends showing improvement in the readiness of CS/CSS units, although modest, have been increasing and will continue to increase as additional resources become available over the next several years. A review of recent readiness reports indicates that of the approximately [deleted] Army Reserve CS/CSS units apportioned to Europe with an early deploying mission, [deleted] percent were at a C3 or better level of fill overall in October 1985. By the end of 1987, that number increased to [deleted] percent. Similarly, of the Army Reserve CS/CSS units apportioned to Southwest Asia with an early deploying mission, [deleted] percent were at a C3 or better level of fill overall in October 1987 versus [deleted] percent in October 1985. We expect these improvements to continue as force readiness programs enhance equipment and personnel readiness and RC military occupational specialty qualification.

The status of all reporting Army Reserve units has improved steadily since April 1985. At that time, [deleted] units were rated at a C3 or better level of fill overall; whereas in October 1987, [deleted] units were rated at a C3 or better. This is a [deleted] percent improvement during a 29-month period when an additional [deleted] units were added to the reporting base.

Progress has been made in obtaining substantial quantities of equipment for the Army Reserve through the dedicated procurement program. As a result of congressional and OSD initiatives, the Army Reserve has received nearly $880 million from the National Guard and Reserve equipment appropriation since 1981. This dedicated procurement program has allowed for substantial gains in the number of units rated at a C3 or better level of fill for equipment on hand (EOH). In April 1985, almost [deleted] units were rated at a C3 or better level of fill for EOH compared with a total of [deleted] units rated at a C3 or better level of fill for EOH in October, 1987, an improvement of nearly [deleted] percent. While our acquisition strategy has focused on the purchase of mission essential equipment for deployable units, we also recognize the need to target these funds on our units that provide training base expansion, thus ensuring that soldiers assigned to those type units are properly trained. Some examples of equipment that has been purchased are tracked combat vehicles (M113 family of vehicles), tactical wheeled vehicles (CUCVS, 5-ton trucks of all body types, and semi-trailers), weapon systems (M198 Howitzers and mortars), tri-service tactical communications systems, Army tactical communications systems, and other support equipment (petroleum, water, nonhospital medical, and test, measurement, and diagnostic equipment).

Long production leadtime has precluded immediate delivery of the majority of the items mentioned above. However, some critical items such as the CUCV and M113A3 have been received and are already having a positive influence on unit readiness. Since production lead time for most systems lasts up to 24 months, only now are we beginning to see the effect of funds authorized and obligated during the past two years. For example, near term improvement in the availability of critical items such as CUCVS and the M113 family of vehicles was seen 18–24 months following expenditure of resources. While progress has been substantial, much remains to be done. Continuation of this program is essential for capability improvements in the USAR.

Recruiting for medical personnel remains a significant challenge and there are still shortfalls in some medical specialties critically needed for mobilization, e.g., thoracic surgeons, neurosurgeons, operating room nurses, etc. Compensation and other incentives in the Defense Authorization Act passed last year will help alleviate shortfalls as they are specifically targeted at critical surgical specialties. To date, there are 80 Army Reserve physicians and 22 Army Reserve nurses enrolled in the new Specialized Training Assistant Program with 55 applications pending.

There are also 36 Army Reserve participants in the Health Professional Loan Repayment Program.

Responding to the challenge of recruiting physicians and nurses, we have authorized an additional 75 AGR positions for medical recruiting support this fiscal year. This recruiting force aided by the newly created stipend programs is expected to produce an additional 227 physicians and 600 nurses each year.

We have also provided 12 AGR soldiers for management of the national augmentation detachment (NAD). The NAD is designed as an administrative and training element for health professionals who are assigned to Army Reserve medical units, but unavailable to train with their unit on a regular basis. Physicians and nurses will be assigned to vacancies in Army Reserve units, without regard to geographical location, attached to NAD, and are mobilization assets of their assigned units. Removal of geographic restraints will enable the recruiting force to take full advantage of the civilian market place by offering a nationwide program.

In support of OSD health affairs' direct mail marketing campaign to increase awareness of RC opportunities, benefits, and programs and to generate recruiting leads, we provided and funded physicians and nurses to respond to inquiries from interested health professionals. Using the Army Reserve physicians and nurses provides a credible source of information to those direct mail respondents interested in a Reserve career. In addition, it serves as a opportunity for Army Reserve physicians and nurses to discuss their experience as reservists directly with those interested in possible Army Reserve service.

We are also developing a skill training program for enlisted medical soldiers. The scholarship training for Army readiness (STAR) program will utilize civilian schools throughout the country to train Army Reserve medical soldiers near their homes rather than at traditional military schools. Low density and critically short medical skills are targeted for the initial pilot program this year. This centrally managed program will provide funding for tuition, equipment, books, and fees incurred while in school. In exchange, the soldier attends basic training prior to starting school and drills with the assigned unit for training assemblies and annual training while enrolled in school.

Significant progress has also been made in equipping our medical force. The deployable medical systems (DEPMEDS) initiative provides standard Department of Defense modular material sets for use throughout the theater of operations. DEPMEDS is designed to equip hospitals from the combat zone to the communications zone. This ambitious initiative represents a multi-year fielding process. To date, five Army Reserve hospitals have been equipped with DEPMEDS, with a total of 94 to be equipped by the end of fiscal year 1993. Also included in this modernization effort are newly designed aid station and clearing station sets, dental X-ray sets, air and ground ambulance sets, chemical decontamination kits, and many other critical items of equipment. We have obligated $21.9 million in dedicated procurement funds for purchase of nonhospital medical equipment that will contribute to the improvement of medical readiness.

One of the greatest challenges facing the Army Reserve at all levels of command is the training of our enlisted soldiers in their military occupational specialties with follow-on sustainment training to ensure both their tactical and technical proficiency upon mobilization. Individual soldier qualification is the very cornerstone of efficient and effective collective training and remains one of our highest priorities. Innovative programs and policies that focus on essential leadership and technical tasks necessary to make maximum use of training materials are being developed by the Army service schools. Civilian institutions are being used in high tech or low density military occupational specialties. Establishment of regional training sites will provide significant improvement of skill sustainment. In addition, we are investigating the use of civilian institutions to provide training in military medical specialties. Finally, the ongoing Reserve component training strategy task force at the Army Training and Doctrine Command is conducting an intense, in-depth study of the Reserve component training system. Major issues being examined are: conduct of training, training support, and evaluation and management of training. Increased MOS qualification and MOS proficiency through sustainment training are major focuses of this study.

Individual soldier proficiency is a major element of readiness. The ongoing GAO study of military occupational skill qualification (MOSQ) reinforces our concern over measurement of individual soldier proficiency. Individual proficiency and sustainment of skills beyond initial skill qualification is the challenge. We intend to pursue fully the use of the skill qualification testing (SQT) to identify sustainment training needs. The Army Reserve soldier takes the same SQT as does the active soldier; however, the standard Army SQT sometimes includes testing on equipment not available to the reservist. Limited time available with normal inactive duty training, administrative requirements, and test controls also preclude optimum use of those SQTs that are available. The on-going TRADOC RC training strategy task force is reviewing the SQT to develop a test specifically tailored to the mission and equipment available in Reserve component units.

Before I leave the topic of training readiness, I want to talk about one of our most successful training efforts: The Overseas Deployment Training Program (ODT). This program, which incorporates current wartime planning and unit alignment, ensures realistic periodic training in the specific locales where Army Reserve units may actually have to deploy. Units within the D to D+60 category are programmed for overseas training once every three to five years.

Army Reserve overseas deployment training (ODT) participation in OCONUS exercises had increased from 12 units/cells in fiscal year 1976 to 1,500 unit/cells containing 25,000 soldiers in fiscal year 1988. More than 33,000 soldiers are expected to participate in overseas deployment training in fiscal year 1989. Increased Reserve component participation in joint exercises such as Reforger and Wintex in Europe, Team Spirit in Korea, Bright Star in the Middle East, and Yama Sakura in Japan greatly improves unit training readiness. The ODT program has also proven to be a significant factor in enhancing soldier retention and, thus, personnel readiness.

As the Nation's largest source of trained individual manpower, the IRR is a critical element in the total Army's mobilization planning. About 65 percent of the officers and 70 percent of the enlisted soldiers of the IRR carry combat support and combat service support specialties; the balance are combat arms soldiers. The readiness of IRR soldiers to fill identified wartime shortages, and their ability to perform successfully in Active and Reserve units upon mobilization are essential factors in the mobilization equation. IRR soldiers are trained to sustain and improve their individual readiness based on priority mobilization requirements.

Based on Department of Defense directives and guidance, all military services began mandatory screening of their IRRs in fiscal year 1987. All IRR soldiers are to be called to active duty for training for one day to accomplish this screening.

Recent changes to the Army mobilization and operations planning system reflect the criticality of IRR readiness. Accordingly, a primary purpose of the annual screening requirement is to determine and upgrade the availability and readiness of these soldiers.

At the end of the program's first year, about 192,000 eligible soldiers had received screening orders, with approximately 105,000 (54 percent) participating in the screening. We fully expect this percentage to continue to improve as the screening process becomes a routine part of the IRR soldier's expectations. Many significant results have been realized already from the program. The mobilization data base is being updated, with over 226,000 data items having been adjusted thus far. The increased involvement of those attending is suggested by the following statistics:

Over 16 percent of those screened showed an interest in joining a selected Reserve organization, with about 9 percent already having signed up;

More than 14 percent indicated an interest in IRR training programs;

Nearly 12 percent of the enlisted soldiers screened indicated they were interested in reenlisting in the IRR; and

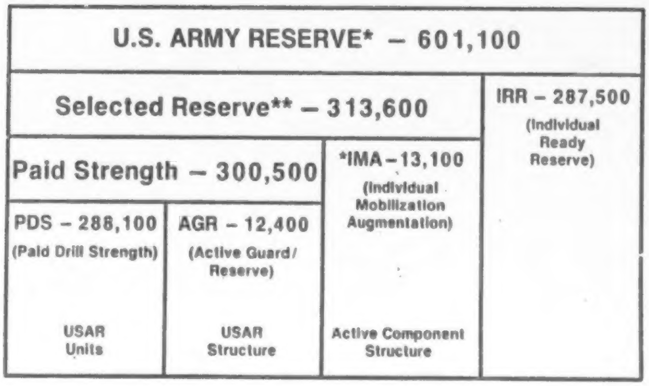
About 95 percent of those screened would be qualified as immediate mobilization assets.

As a result of various management initiatives, projections for the coming screening year indicate better than a 10 percent increase in attendance. The overall trend of the program has been quite positive, with the Army today better able to judge the readiness of this large mobilization asset. As the IRR continues to grow and becomes more important to mobilization, the screening program will also grow in importance.

The Army is in the midst of the most extensive reorganization and modernization program since World War II. Changes in organizational structure, equipment and doctrine have been underway for several years. To support the warfighting CINCS, the Army Reserve structure and equipment must be in line with the Active component. Modern doctrine and turbulence associated with implementing new programs demonstrate the critical need for manning additional full-time positions in selected high priority units and the headquarters that support these units. Modern equipment, for use in conjunction with new doctrine and organizations being filled in the Army Reserve, requires increased training of soldiers to fully use that equipment and achieve maximum unit readiness. Full-time support is needed to ensure that these training programs are successful. Given adequate levels of full-time support, Army Reserve readiness will continue to improve as a result of enhanced unit training, administration, and equipment maintenance. AGR soldiers, who provide the commander operational flexibility, through their availability for special assignments, schooling and extended work hours, are key to Reserve readiness improvement.

Mr. Chairman, members of the committee, it has been my pleasure to discuss readiness of Army Reserve units and the efforts of our dedicated citizen-soldiers in the Army Reserve. I welcome your questions.

[Charts follow:]



U.S. ARMY RESERVE* – 601,100

Selected Reserve** – 313,600

IRR – 287,500 (Individual Ready Reserve)

Paid Strength – 300,500

*IMA – 13,100 (Individual Mobilization Augmentation)

PDS – 288,100 (Paid Drill Strength)

AGR – 12,400 (Active Guard / Reserve)

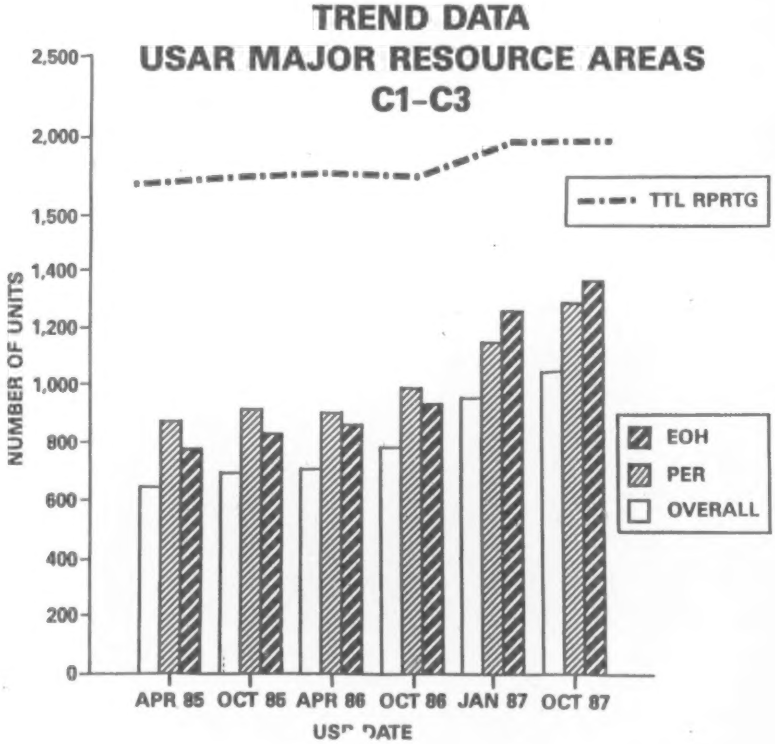
USAR Units

USAR Structure

Active Component Structure

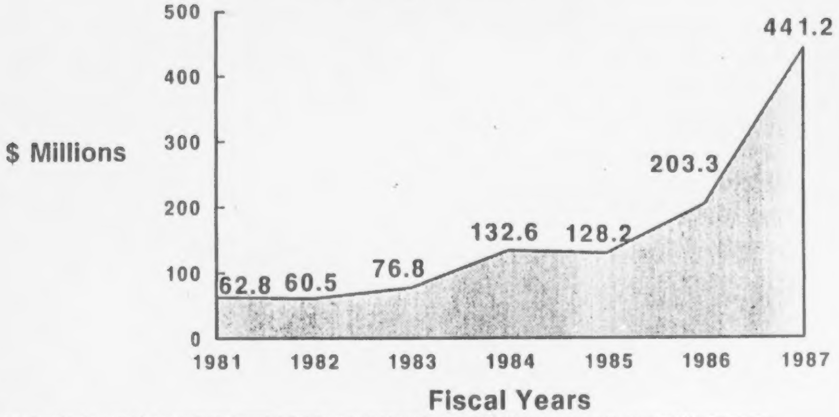
* As of 30 September 1987

** Presidential 200,000 Call-Up

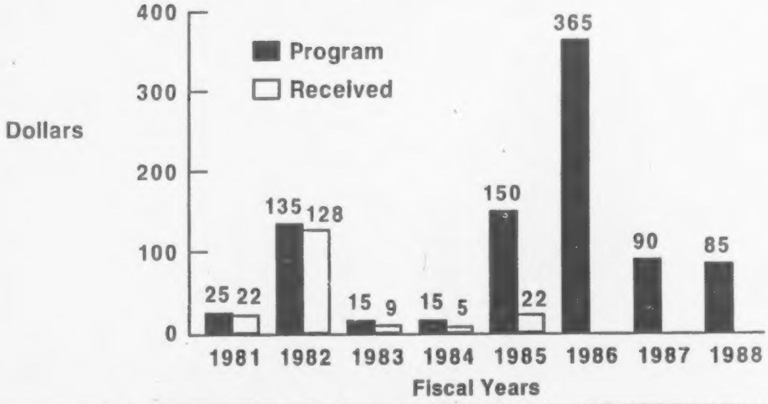


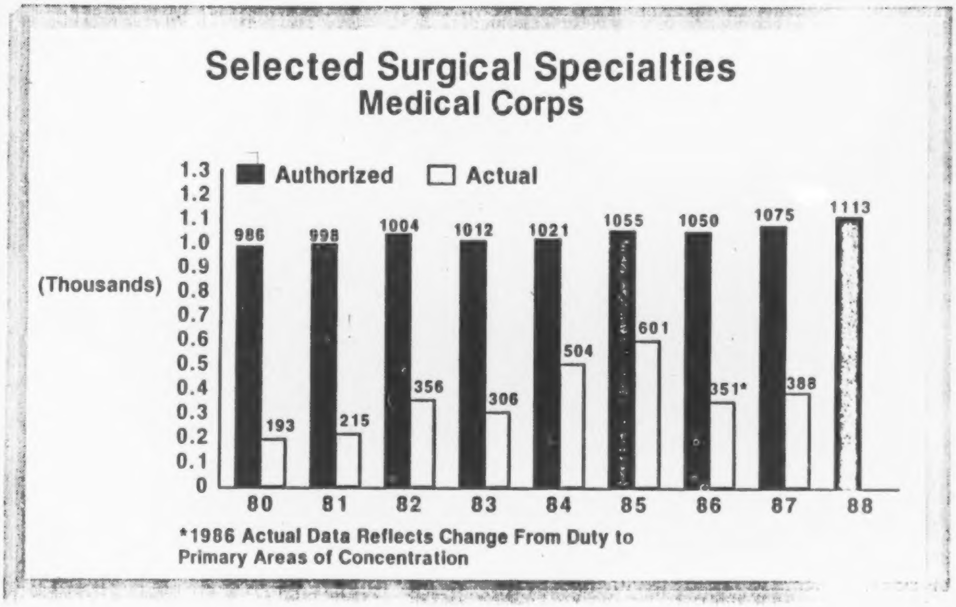
TREND DATA
USAR MAJOR RESOURCE AREAS
C1-C3

Value Of Equipment Issued To The Army Reserve



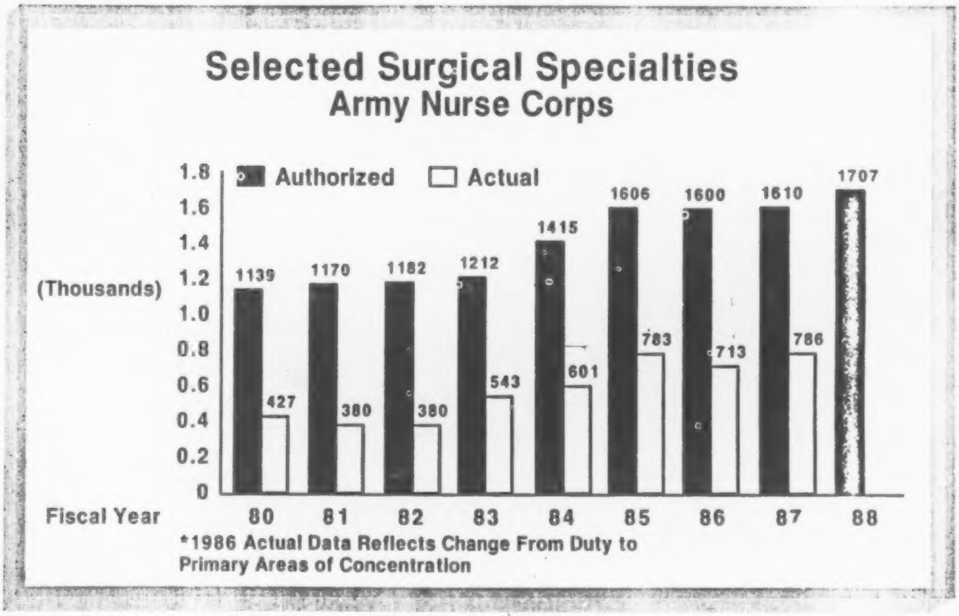
Dedicated Procurement Program (DPP) Program Vs Received ($M)





Selected Surgical Specialties
Medical Corps

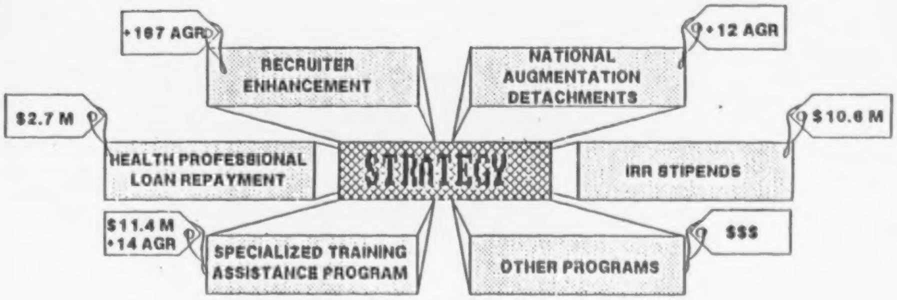
*1986 Actual Data Reflects Change From Duty to Primary Areas of Concentration

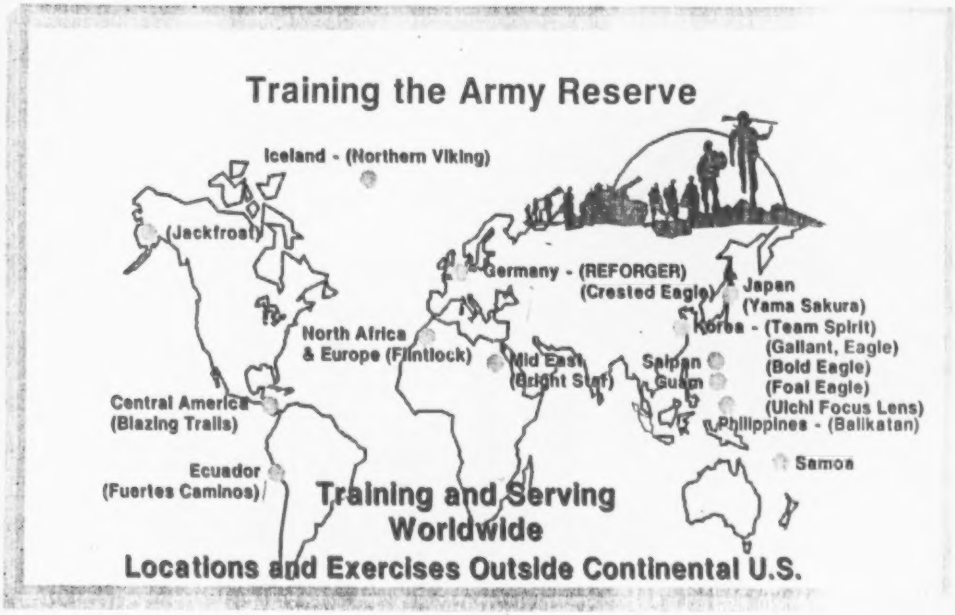


Selected Surgical Specialties
Army Nurse Corps

*1986 Actual Data Reflects Change From Duty to Primary Areas of Concentration

SHORTAGE SKILLS


STRATEGY
+187 AGR
RECRUITER ENHANCEMENT
+12 AGR
NATIONAL AUGMENTATION DETACHMENTS
$2.7 M
HEALTH PROFESSIONAL LOAN REPAYMENT
$10.6 M
IRR STIPENDS
$11.4 M
+14 AGR
SPECIALIZED TRAINING ASSISTANCE PROGRAM
$$$
OTHER PROGRAMS

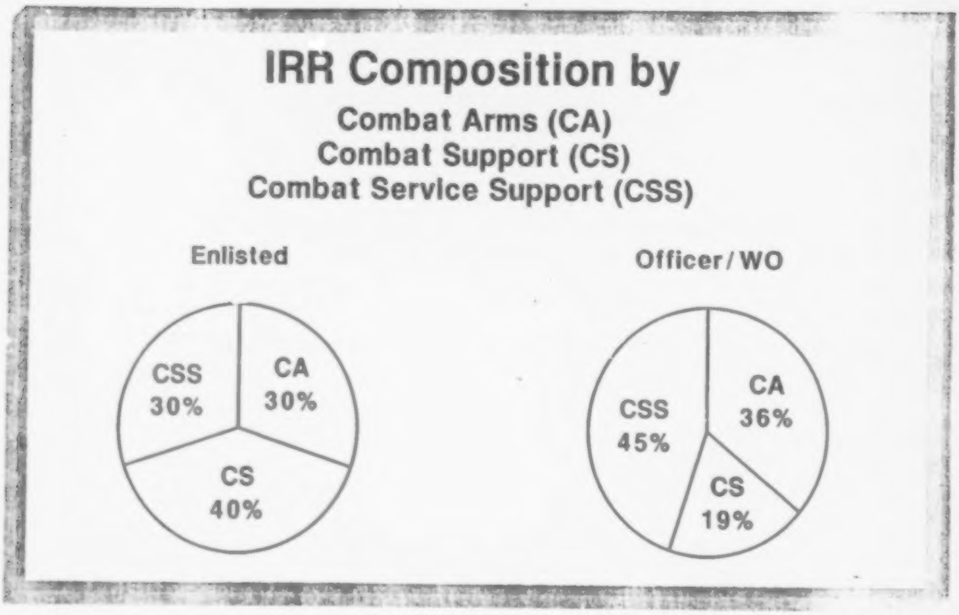


Training the Army Reserve

Iceland - (Northern Viking)
(Jackfrost)
Germany - (REFORGER)
(Crested Eagle)
Japan
(Yama Sakura)
Korea - (Team Spirit)
(Gallant, Eagle)
(Bold Eagle)
(Foal Eagle)
(Ulchi Focus Lens)
North Africa
& Europe (Flintlock)
Mid East
(Bright Star)
Saipan
Guam
Central America
(Blazing Trails)
Philippines - (Balikatan)
Samoa
Ecuador
(Fuertes Caminos)

Training and Serving
Worldwide

Locations and Exercises Outside Continental U.S.



Senator DIXON. I thank you, General.

I am sorry that our interruptions and constraints will impact on this hearing. I consider this to be a tremendously important hearing, and some of the things that we are developing here I am sure will cause substantial alarm for very informed people, like Senator Glenn and Senator McCain, who have the background and understand fully the problem. Senator Warner, our ranking member, expressed a concern when he left here, as a former distinguished Secretary of the Navy, and he understands these problems.

General Burdick, to the extent that you can indulge me, we would greatly appreciate your brief statement and we are delighted to have you here.

STATEMENT OF MAJ. GEN. DONALD BURDICK, ARNG, DIRECTOR, U.S. ARMY NATIONAL GUARD

General BURDICK. Mr. Chairman, I will try to be brief.

My name is Maj. Gen. Don Burdick. I am Director of the Army National Guard.

Sir, it is a privilege for me to appear before your committee and discuss the readiness of our combat support and combat service support units.

As we all know, today's Army National Guard is a full partner with the Active component, U.S. Reserve, and the total force. It deploys at the same time as the total force, or shortly thereafter.

As Senator Glenn mentioned, as part of the total force, the Reserve components must be strong. There cannot be a weak link in this chain. Army Guard personnel, equipment, and training must have equal priority with the Active component.

I would say, sir, that great strides have been taken in recent years in accomplishing this, both in equipment provided to us by the Active component and also through dedicated procurement provided by the Congress.

I would like to dispense with the remainder of my statement and submit it for the record.

However, I do have some slides that I would like to go through very briefly.

[A series of slides were shown.]

General **Burdick**. Our Army National Guard today is a combat ready force of some 457,000 drilling citizen soliders actually in units that deploy.

I would like to point out here that I think we all recognize that the Army National Guard is primarily a combat force. Forty-three percent of our Army's combat units reside in Army National Guard.

As you see over here, only 30 percent (indicating) of the Guard units are combat support/combat service support, in contrast to the U.S. Army Reserve, where there are approximately 80 percent of the units in a combat support/combat service support category.

Just referencing our medical personnel, for example, in the U.S. Army Reserve, 37 percent of the total force, medical personnel, are in the Reserve. In the Guard, we only have 18 percent.

Hospitals—94 hospitals are in the Army Reserve. I only have 18 hospitals in the Army National Guard.

In terms of our physicians, I have a requirement for 1,400 physicians, and have 750 assigned today. So I have only a 50 percent fill there and do need physicians.

In regard to our nurses, and we talked a lot this morning about the shortage of nurses, sir, I have a requirement for some 940 nurses—pardon me, 860 nurses. I have 940 assigned. I am over strength in nurses. I am at 109 percent of our requirement in terms of nurses.

So, on the one hand, I do need physicians, as we do have a shortage of thoracic surgeons and the various specialties. But in nurses, I am filled on those.

I would like to just take a moment and review with you the C categories, because I feel that this is something that the GAO report did not adequately discuss.

We talk in terms of C-3 and above, as those units being essentially combat ready. C-4 units need additional resources. However, they can perform portions of their combat missions.

The C-5 units are a special category. We could have had a unit today that was C-1, fully capable, as we had with our Army units that were equipped with the M-60A3 tanks, but as soon as we provide them with new equipment, like the M1 tank, they immediately revert to C-5—fully trained.

We have the same thing with our combat support/combat service support units.

These units, a portion of those, can be directed to perform their wartime missions.

Senator **McCain**. Mr. Chairman, may I interrupt one second here to make a point that I think is important?

Senator **Dixon**. Surely.

C-1/C-5 STATUS

Senator **McCain**. We keep hearing from the witnesses that we have a problem with C-1 and C-5. One of the generals has mentioned that there is no way the people can achieve C-1, and we are talking about how we put in new equipment.

It seems to me maybe we ought to look at the way we are doing C-1 through C-5.

General **Burdick**. Well, sir, what I am saying is the C-5 is a temporary status.

Senator **McCain**. But if he's got units that never can attain C-1 status and yours are immediately upon acquisition of new equipment, and yours can't ever then achieve C-1 status, then maybe we ought to look at a different criterion so that we can judge as to whether they are combat ready or not.

I am sorry to interrupt, but it is frustrating to me.

Senator **Dixon**. You mean particularly in those situations where we have highly qualified personnel, with new equipment, and so forth, which is the point the General was making, or whether the categories ought to be reexamined in a general way?

Senator **McCain**. Yes—in a general way.

General Galvin testified before this committee that he has some real questions about the ability of measuring things by C-1 through C-5, and they are reevaluating, and it seems to me that there is something dramatically wrong when the General says there is no way that these people can ever achieve C-1 status.

Senator **Dixon**. It was his testimony a moment ago.

Senator **McCain**. Yes, to which he just testified.

I am sorry for the interruption, but it is very frustrating for me to try to see who is combat ready and who is not, when we keep hearing apologies for the system. Maybe we ought to look at the system of evaluating combat readiness.

Senator **Dixon**. Let me say that I think the Senator's point is well taken.

Perhaps staff could pursue that.

Senator Glenn, I know you continue to encounter this, too, and every year we do encounter the same problem.

Perhaps you folks could make a response to that general observation by the distinguished Senator from Arizona.

General **Burdick**. Sir, let me just try to clarify this again.

You know, we say C-1, but C-3 and above is essentially combat ready. C-4 is not combat ready. But what I am saying is a unit that receives new equipment or undergoes a reorganization temporarily is put into a C-5 category.

Senator **McCain**. Well, I don't want to debate you, General, but also can't you be C-1 without any equipment and without any sea or air lift capability?

General **Burdick**. Without any equipment?

Senator **McCain**. Yes.

General **Burdick**. No, sir.

Senator **McCain**. Without any prepositioned equipment?

General **Burdick**. Without any prepositioned equipment—yes, it could, without any prepositioned equipment, if you had the equipment on hand.

Senator DIXON. Well, let us pursue that.

Senator MCCAIN. I don't know if Senator Glenn shares my view or not.

Do you?

Senator GLENN. Well, we have had comments before, last year and the year before that, I think, of people questioning the rating system. I don't know whether anybody really went through it in the interim period and really reevaluated the rating system and that this was the best we could come up with or not.

We have had some of these very same questions for a while, and Senator McCain is very proper in bringing this up right now because we go through all of the statistics, but what is really combat ready and what is not? If our rating system is not good, we don't know what we have, then.

General BURDICK. Sir, I think we have a good rating system.

The only point I want to make is that the GAO report did not separate the C-4 from the C-5.

For example, we talked about the M+10 essential force structure and using the figures——

Senator MCCAIN. Let me respond again, General. Before this full committee, General Galvin said that he does not regard the present Army C-1/C-5 readiness system as a valid method of measuring the capability to fight a war in Europe, and he is working on a more valid system.

I would hope, rather than just adopting the position that you obviously are, perhaps you might listen to the General who is in charge in Europe in defending NATO and perhaps maybe lend your efforts toward making him have a better system, which he says is not valid at this time.

General BURDICK. Well, sir, improvements can be made in the system. Certainly they can. The only point I am trying to make here is the difference between the C-4 and the C-5, with what the GAO reported.

In the data that they presented on their chart, they showed, for example, that in the combat support units in our Army National Guard—and, as I mentioned, we have relatively few; we only have 44 units there [deleted] percent were not combat ready. So, virtually, [deleted] percent are combat ready.

If I were to subtract out the C-5 units that are in a temporary situation, actually my readiness improves to [deleted] percent.

The same thing with the combat service support units, they showed that we have 25, that the Army has about [deleted] percent units that are not combat ready today. Conversely, [deleted] percent would be combat ready.

Those are percentages.

If I were to subtract out the C-5 units, my readiness would increase to [deleted] percent.

So, I am just emphasizing that we have to look at the definition of what we mean by C-4 and C-5, and they lump everything together in the report.

In terms of our combat support——

Senator GLENN. Before you leave that subject, what the system is designed to show—and staff pointed this out; I was sitting here, thinking of sort of the same thing but didn't say anything—what your system is designed to show is, say, if something happened today, as of now, what is our capability. Well, as of today, you could not include the C–5 or C–4. It would be C–3 and above, and that is it.

It is designed as a current thing. If you want to put flexible time constraints on, as to when you might have equipment or you might have certain things, then you could upgrade C–5 to whatever you want to upgrade it to, to whatever the amount of equipment or people would be.

But it is designed as a system. It is a current measure today of what would happen if we went to war tomorrow, or we had a thing where we had to mobilize tomorrow. In that respect, I don't think you can really criticize C–5 too much by saying it is nearly ready and we could pop it up there, and subtract that, and we'll have a better looking picture, because as of today, the situation is "X", whatever that is.

General **Burdick**. Yes, sir. I agree with what you are saying. But you do have units that are combat ready and tomorrow will have new equipment and it could fall in on the old equipment going to war.

Senator **Glenn**. Well, then you will have one falling out of category one.

Senator **Dixon**. Let me hear from General Ward, too.

General **Ward**. If my distinguished colleague would yield 15 seconds, let me state that is true for equipment and personnel. But on M+10, both General Burdick's units and Reserve units are also going to get fillers from the IRR in the personnel area that will hopefully move them up out of the C–4 area, or C–5, or even C–3 or C–2.

The system, while flawed, and in my personal opinion, gravely flawed, is such that the Army manages by exception. We manage the C–4 units up to C–3, by cross-allocating, by cross-levelling, and by sliding in people in the units to meet the mobilization requirements. So the system does pinpoint those that cannot make it—C–4. Although, I must admit that, in my years, I have never fought with any unit except a C–4 unit.

General **Smith**. Sir, I would like to just steal two seconds, also, to say that the Army is right now presently trying to develop, with General Galvin's people helping and every CINC participating and all of the Army elements participating, a better system to measure combat capability.

We have not had one for some time. It is very difficult to quantify that sort of thing.

We have made major changes, however, just in the last year, on how we measure our readiness levels. We used to be beat up by the Congress and others saying that we were taking a lot of money and it was not evident in the increased readiness levels. A lot of that was because yesterday the unit was C–2 or C–1 and it modernized, and, as a result of having additional resources, because it required more training, different personnel, a reorganization, a realignment and a reshuffling, it was therefore carried as "unready." C–5 is unready.

The picture that you get from GAO is that if you are C–4 or C–5, you are terribly unready. Well, what is really important is what is

C–4, because that is what we are really focusing on. C–5 is an area where we have resources coming down the pike rapidly to fix those units.

Senator DIXON. Well, let me just say that I appreciate all of these comments and I tend to agree with my colleagues here that it continues to be confusing to us every year as to what particular units ought to do to be ready, in view of this confusion that always pertains, with due respect to you gentlemen.

But I do want to observe that in a timeframe that we have here, we are getting into trouble.

If you could make your salient points, General Burdick, I think we have to get to our questions.

General BURDICK. Sir, again, excluding our C–5 units, which I did in this case, I just want to point out that we have made significant improvement in the overall readiness of our Army National Guard combat support and combat service support units. In October, 1985, 68 percent of our units were judged C–3 or higher. We have improved that to 84 percent, and that is overall; in personnel, we are at 86 percent. In equipment on hand, we are at 92 percent; in equipment readiness, 90 percent; and in overall training, again, it is quite high.

So with the help of the Congress and the Army, we have made significant improvements in the relatively few combat support/combat service support units that we have in our Army National Guard.

With that, I think I will dispense with the remainder of the slides.

[The prepared statement of General Burdick follows:]

PREPARED STATEMENT OF MAJ. GEN. DONALD D. BURDICK, DIRECTOR, ARMY NATIONAL GUARD, DEPARTMENT OF THE ARMY

Mr. Chairmen and distinguished members of this joint committee, it is a privilege for me to appear before your committee and discuss important challenges facing today's Army National Guard. National Guard combat support (CS) and combat service support (CSS) units will augment and support the Active component during operations in Europe and other theaters.

With the Guard going to the battlefield at the same time as the Active force, the total force must be strong. There cannot be weak links in this chain. Army Guard personnel, equipment, and training must have equal priority with the Active component.

Army National Guard combat support and combat service support units play a key role in the total force and are equal partners in a variety of missions. Combat support units typically provide operational assistance, including artillery, aviation, intelligence, engineering, and security.

Combat service support functions include repairing and maintaining equipment; distributing fuel, ammunition, and other supplies; and providing medical care.

A recent GAO report and testimony before the House Subcommittee on Readiness indicated that CS and CSS units have shortcomings. Headquarters, Department of the Army and the Army National Guard are aware of the problems reported and are aggressively working to correct them.

The challenges we face include sustaining military occupational specialty qualification (MOSQ) in certain technical skills that require long training periods. Training in these specialties is usually difficult for Army Guardsmen because of lengthy courses in Army service schools, civilian jobs conflicts, and family responsibilities.

In our medical units recruiting and retention of professionals continues to be a National Guard priority. Specialists such as anesthesiologists, general surgeons, orthopedic and thoracic surgeons, and nurse anesthetists are difficult to recruit.

We also recognize that personnel in these specialties are often difficult to retain due to occupational pressures. We urgently need additional medical recruiters if we are to overcome the shortfall in professional medical personnel.

To improve our CS and CSS MOSQ we continue to emphasize the need for "exportable training packages." To date, approximately 50 percent of the high density, low tech and 33 percent of the high tech, low density courses have been fielded by the U.S. Army Training and Doctrine Command (TRADOC). The balance of these exportable courses are critically needed if our students are to be trained to the same high standards as their Active Army counterparts.

Major equipment shortages within our CS and CSS units include; 5 ton trucks (wrecker and cargo), fuel tankers, semitrailers, electrical generators, radios and radio installation kits. Without these items our units are severely hampered in performing repair and resupply missions.

In our medical units shortages are found in medical treatment equipment sets, medical laboratory equipment, and basic hospital equipment. Fielding of deployable medical sets (DEPMEDS) to the Army National Guard is scheduled to begin this year. However, funding constraints are likely to modify fielding dates and the quantities of DEPMEDS available, which will prolong the process of fixing Army National Guard medical units. Also, distribution of DEPMEDS will not resolve the nonmedical equipment shortages such as trucks, generators, radios, and water trailers.

Although improvement can still be made, Army National Guard readiness is at its highest level. Since October 1985 (a year the Army uses as a benchmark for measuring improvements in resource levels) Army Guard CS and CSS units' overall ratings have increased 16 percent. During this same period equipment-on-hand increased 25 percent. Success is also evident in personnel readiness with a six percent improvement during this period.

Within these gains, 223 Guard units have had their equipment-on-hand status improved to a ready status as the result of the Army Guard's equipment readiness analysis (ERA) Cross-Leveling Program. This improved status is complemented by a strategy of accelerating equipment fielding to high priority Army Guard units. (48th in BDE getting M-1 tanks and BFV.)

Initiatives are underway to improve current capabilities even more. These include maximizing the use of available exportable training packages, conducting detailed command and State level readiness reviews, employing the Army Guard readiness councils, and an expanded equipment readiness analysis program. Continuing congressional dedicated procurement programs will also have a tremendous impact on improving our readiness. I ask you for continued support in this most vital area.

Training is a major factor in readiness in the Army National Guard. Training can be divided into two general areas—individual and collective. The mission on the Army National Guard is to provide combat ready units to deter war. How do we accomplish this? Our primary tools are training and experience.

Individual training continues throughout a soldier's career, from initial entry training, through MOS training, to advanced NCO and officer professional development training. Key personnel upgrade proficiency training (KPUP) is extremely valuable, as the soldier can actually train with Active component units and gain experience working in theater.

In spite of these necessary and attractive training opportunities, it is often difficult for citizen soldiers to attend long periods of training at Active Army service schools. This is especially true for personnel in CS and CSS units which have a higher density of hard skill MOS specialties. The solution of this problem is to take the training to the soldier. Using a regional school concept, we have established various programs to do just that.

Included are regional training sites for maintenance and medical training in several States, a field medical training site in Panama, a high tech training center in New Jersey, Eastern and Western aviation training sites in Pennsylvania and Arizona respectively, tank transition courses in Idaho and various regional noncommissioned officer education programs.

Because the National Guard provides units to the various theaters, mission oriented unit training is extremely critical to preparedness. There are many opportunities to conduct this type of unit training. These include national training center rotations, overseas deployment training, small unit exchanges, and JCS exercises. During annual and inactive duty training, exercises and battle simulations also contribute to improved multiechelon unit training.

Assessments and evaluations are conducted to assure that the unit is progressing towards its mission training goal. Although the Army Training and Evaluation Program (ARTEP) is at the center of these evaluations, it is only one of many tools used to validate a Guard units' mission preparedness.

Turning now to individual training, the evaluation programs in this area consist of three components; a hands-on element where the soldier demonstrates his proficiency on actual equipment to the first line supervisor, a written test to determine the soldiers knowledge about that equipment or process, and a commander's evaluation of his or her overall job performance. Army Guard enlisted members are often placed at a distinct disadvantage because TRADOC developed testing is oriented towards new and updated equipment not yet fielded to all Army National Guard units.

Though the individaul evaluation program is intended to measure the individuals ability to do his/her job, it does not always orient on our current Guard equipment and missions; and, it does not look at collective training tasks. Collective training levels are reviewed during unit training evaluations (ARTEPS). Since unit mission accomplishment is the goal, the limited training time available must be delicately balanced between unit training and evaluations, and individual soldier assessments.

In conclusion, I believe that we are mutually concerned with achieving the best national defense within the limits of our constrained resources. As a full partner in the total force, the Army National Guard is vital. I assure you that the Army National Guard is committed to fulfilling our part of this commitment. I wish to thank you for your past support and solicit your continued support so that our Army National Guard—an "army-on-call" can maintain a high state of combat readiness.

Senator DIXON. I would appreciate that, General. I am reluctant to ask you to do so, General Burdick, but we are getting into some time difficulties.

I would like to recognize Senator Glenn, then Senator McCain and then Senator Thurmond, so that each of them can have an opportunity to develop their concerns here.

Senator Glenn, would you proceed?

Senator GLENN. Thank you.

TOTAL FORCE POLICY

Generals, all of you, in recent hearings in the Manpower Subcommittee, we have raised the issue of who is responsible for total force policy in the Department of Defense. We raised that with Secretary Green, the Assistant Secretary of Defense for Force Management and Personnel, and with Steve Duncan, Assistant Secretary of Defense for Reserve Affairs, and Dr. William Mayer, Assistant Secretary of Defense for Health Affairs.

The reason I raised this is because I want to know the level at which Active and Reserve Force mix decisions were being made.

Now, I don't know whether it is unfair to conclude that these things are sort of made on an ad hoc basis over there or not, with no one office in charge. But we asked those people to start dealing with those things on a more day-in-day-out basis and asked them to report back to us on how they plan to deal with it.

In the Army specifically, who is responsible for total force policy, for deciding what the mix will be, on what the missions will be assigned to the regular Army, assigned to the Reserve, and assigned to the Guard?

Someone has to be in charge. It has happened to us that this is done on a rather ad hoc basis and is not as well studied as we think perhaps it should be.

Now, are we wrong on that? Tell us how the decisions are made and who is in charge.

General SMITH. Sir, you are wrong on that matter.

The Chief of Staff of the Army, General Vuono, is responsible for Army policy on how we configure the force.

Now, he does not do this all by himself. He has the assets of the staff, the field commands, and the CINCs, which all play in a process that is called "Total Army Analysis."

Total Army Analysis starts structuring the force, for instance, with a computer war game, where it fights a 180-day war in a computer, in Europe, with all the threat as we can best envision it for the future. From that war fight, with the forces that we have, we can generate work load and consumption factors that we can then measure to see how much transportation, medical, ammunition handling, supply support is needed.

We take the result of that product and then put the men behind the wheel to examine the force that we already have and where that force is already located, all the components of it.

Senator GLENN. Let me just add that something is wrong, though. We have been talking about this for years and years, and the current status of combat readiness of the Army Reserve component combat support and combat service support units are that [deleted] percent are not combat ready. They are not combat ready after all this emphasis.

Now, either they have to be made more effective or we have to realign this mix.

Who is making that decision, as to what the missions will be? After the talk we have had for years and years, before some of you gentlemen were even assigned to the Pentagon, we still have [deleted] percent not combat ready.

General SMITH. Sir, those decisions again are made by the Chief of Staff of the Army.

Senator GLENN. Well, then, I can only conclude that there are some lousy decisions being made, General, because when we're [deleted] percent not combat ready, somebody has to take the sack and do something about it.

Do we take some of these missions and pull them back into the Regulars, do we reassign, do we give more to the Guard, that has a higher percentage of people over here?

We cannot go on year after year, living in a bluff situation against the Soviets, I don't think.

I would disagree with the thing of a while ago about our deterrent force in numbers of tanks. I think it is the overall force. The Soviets are smart enough to look at our force structure and know what is going on. They are not going to be bluffed that easily. They know that a tank does not run unless you have the trucks and everything to back it up.

General WARD. Sir, I would suggest that—and I have participated in this mission-setting process, which is one based upon using the best possible people as given available resources—the issue is not missioning, so much as it is resourcing.

Over the years, there have been conscious, and I think smart, decisions made, to build up the combat capability rather quickly. That does bring more deterrence in the short run. However, you have to recognize that one needs bullets, butter, and gas to go anyplace, and these capabilities have been deferred in the past.

There is no question in my mind that the Army staff, the Chief of Staff, and the Secretary are fully cognizant of these issues, and the question comes down to where do you put your money and at what time.

Senator GLENN. Now General Vuono is responsible for the whole works, for the whole Army.

General WARD. That's correct.

Senator GLENN. Somebody under him has to be assessing what the Guard can do, what the Reserve can do, and saying well, here is what we will recommend to the boss, and the boss will probably sign off on it if he figures it is a reasonable study.

Who oversees that total force policy and makes those judgments?

General SMITH. The executor of that, sir, is the Deputy Chief of Staff of Operations and Plans. When they get this final requirement, shortfalls and units, that comes out of this total Army analysis product, they sit down and ask that question, they ask the tough questions: Can an existing Reserve component unit meet that requirement? For that matter, if he can't, do we have Active component units that can?

We go through that process.

Senator GLENN. Has a function assigned to the Guard or Reserve ever been pulled back and reversed?

General SMITH. Sir, this occurs routinely in the total Army analysis process.

General WARD. Some functions have even been eliminated.

General BURDICK. Sir, we continually, in fact, General Vuono, with all three components present, holds monthly readiness meetings, where we look at the various battalions, and at the readiness of the battalions.

One of the good features of our readiness reporting right now is if in one category we have a shortfall, if there is a shortfall in equipment or in personnel, that unit will be C-4 if that category is C-4. So that resourcing, as General Ward said, sort of drives the train.

Senator GLENN. I don't want to be contentious because I am on your side. I am trying to get the funds for you and get the things that are necessary and make sure you have the missions assigned to you that you honest to God can do if a war starts. That is what the bottom line is.

We still come down to the fact that, however the decisions are being made and however you shuffle the C-1, C-3, and C-4 around, we are [deleted] percent not combat ready.

I know I have been harping about this for the 3 years that I have been on this committee, and have a number of years of interest in this subject before that. It just comes down to who is going to do the combat.

We have had a feeling over here, and we have asked questions on it before, and I still have some big question marks, that this is something that is decided not on as studied a basis as perhaps we would like to see.

I did not get an answer to an earlier question.

Has there ever been a mission assigned that was reallocated later and we said now wait a minute, we overshot a little bit, as Shy Meyer indicated he felt that we had in some areas, that we overshot a little bit now and we have to pull this back, and it didn't work right, and we need medical personnel or something or other?

Have we ever pulled a function back once it was assigned to the Guard or Reserve—ever?

General **WARD**. In my personal experience we have closed out units in the Reserve inventory on many occasions.

Senator **GLENN**. You have what—I'm sorry?

General **WARD**. We have deactivated and closed out the functions on many occasions.

Senator **GLENN**. For example, what functions?

General **WARD**. Well, among others, many PSYOPS and Civil Affairs Units were closed out a number of years ago, and they were all C-1 units. The Army made a determination there.

Senator **GLENN**. Were they assigned back to the Active Army, the full-time Army?

General **WARD**. In those particular days, those functions went away. The Active Army filled in with some units not as well structured as the Reserve units, and the discussion now is that maybe those missions should return to the Reserve.

General **BURDICK**. Sir, again, because I have primarily combat units, just recently, you know, we pulled the Roland battalion, the Active component.

Senator **GLENN**. My time is up, Mr. Chairman. Thank you.

Senator **DIXON**. Thank you very much, Senator Glenn.

I am going to go on now to Senator McCain, but may I say that I am going to have to leave. I have a luncheon engagement where I have to give a little talk to some constituents.

Before I go to Senator McCain, General Smith, a question we are going to send you—and I don't want to create any false hopes here—I want you to think about this. If we are able to find additional money in fiscal year 1989, where would you advise us to put the dollars to improve the readiness of the combat support and combat service support units and improve the survivability of these units on the battlefield?

My staff will send you that in writing. You don't need to write it down. Give that some careful thought. I won't make any promises, but we are all very concerned about this subject.

I am going to recognize Senator McCain and after him Senator Thurmond, and would yield the Chair to my colleague, the Senator from Ohio.

Thank you, all.

Senator **McCAIN**. Thank you, Mr. Chairman.

Gentlemen, I would like to make a couple of comments because I know that my distinguished friend and colleague, Senator Thurmond, has many years of experience on this issue and wishes to address this, so I will be brief.

Senator **THURMOND**. Please take your time.

SEALIFT AND AIRLIFT REQUIREMENTS

Senator **McCAIN**. You have no stronger friends than the people who are sitting here at this table, talking with you. There is obviously an enormous amount of skepticism here as to how we can judge readiness or lack of it, how we can judge our ability to meet our sealift and airlift requirements.

My understanding is that we have [deleted] percent of the sealift capability, [deleted] percent of the average pre-positioned units will be C–1 status. One of the problems that I see here is this ability, and the other one is that so far, from your testimony, I have not been able to ascertain what the future trends are, and the future manpower and funding problems.

I think it is important that we not only ask Chairman Dixon's question about what would be needed this year but what is going to be needed in future years, particularly in light of the fact that we are not going to have increased defense budgets.

I think we all know that.

Barring an unforeseen circumstance, we are not going to have an increase in the defense budget, and I think you have to plan for that realistically. If you expect to get better funding, I think you have to tell this Senator, and perhaps others, exactly what the trends are and where the shortfalls will be in future years.

This is a crucial aspect that I have seen singularly lacking in the testimony of today and from other witnesses before this committee.

We need it in the context of the threat. We need it in the context of what our manpower pool is going to be, both skilled and unskilled. We need it in the context of the future levels of defense spending and indeed how we feel that is going to be allocated to the areas which are your responsibility.

I also think it is important to reconcile the GAO Report with your beliefs as to the degree of readiness which you have, and I would be more than happy to review that testimony, if you would like to submit reconciling information.

General SMITH. Sir, at the end of my opening statement, I provided a series of charts and graphs that we walked through. I believe you had to go out for a vote at the time.

In that, were clear trend lines of where we are going and, with respect to readiness, if you take a snapshot of readiness at any given time——

Senator McCAIN. Are you speaking of these [indicating]?

General SMITH. There were two graphs, sir.

Senator McCAIN. They all end in 1987.

General SMITH. Yes, sir, because of the readiness data when these were constructed; the very latest data is February 1988, and it is pretty close to that, sir.

The point I am trying to make is that the trend lines are good.

You have gotten from the GAO a snapshot in time, and if you look only at that and do not see from where we have come, you would have a gloom and doom message. The message that I am trying to give to you, sir, is that we are on a good, positive glide path to get ourselves well with respect to readiness. We think that is important.

Senator McCAIN. Can't you extend it to the years in the POM?

General SMITH. Sir, the POM is money we hope to get in some instances. I have to look more closely at the budget year to be sure that I am going to get it. I am trying to give you actual readiness data.

Senator McCain. Then you have no way of predicting the future here?

General Smith. Sir, based upon the budget that has been developed in the POM that General Vuono has approved, we still see a positive glide path, not as steep as we would have before.

Senator McCain. Well, General Vuono's plan—and I'm not suggesting that you plan it. I am suggesting that you put it in the charts and provide the committee with that information, so that we can find out whether we can fund it or not.

General Burdick. Senator, if I could just comment, I agree with General Smith in that we are making improvements. But we still have a long way to go.

For example, I still require about one-third of my go-to-war equipment.

Now, in terms of the combat support/combat service support situation, we still have some hard skill MOSs that require months of training, even for a reservist or National Guard soldier to become qualified.

What we need is exportable training packages to the Guard. We now, working with TRADOC, have a Reserve component training strategy that is addressing that area.

Right now, we only have about 35 to 50 percent of courses that are exportable, and oftentimes, our Guardsmen cannot take off, say, a year and go away to train. This is what is required for the practical nurses corps.

We also, as I say need to fund equipment. For example, I still am almost 6,000 five-ton trucks short. We talked about trucks before, and I need that funding.

The Congress did provide me discretionary funds for radios, and I went out and purchased some 3,000 VRC–12 radios, which has improved my capability. But I still need electric generators, almost 2,500.

Senator McCain. You have about $30 billion worth of requirements here, General. We obviously are not going to get that money.

I would be very interested in hearing your laundry list, but the fact is we need to have an overall requirement as to what the trends are here and how we are going to pay for it and what the priorities are, and we are not getting that now. I am taking the time from Senator Thurmond's questions because of this.

I would like General Ward to respond, also, but to give me a laundry list of the items you need is not what this committee needs, General.

What we need is the overall assessment of what you need and how much that is going to cost, and then prioritize it.

General Ward. I represent the component for which equipment has been most under-resourced over the years. With the dedicated procurement you've already authorized, and with what we reasonably expect to come in during the next 2 fiscal years, by the time I leave office at the beginning of 1991, 90 percent of our units should be at C–3 or better.

Senator McCain. Thank you.

My time has expired. Thank you, Mr. Chairman.

WAR STOPPERS

General **Ward**. Now, if one examines the tough areas, we have war stoppers like medical. If we do not continue with things like the IRR stipend, the STRAP Training Program, certain elements of the GI bill, then we would have a very difficult course. If those things continue, we will gradually cut into the TPU medic requirements. We will not make great progress against full mobilization nurse requirements absent some great change in society.

Senator **McCain**. Thank you.

Thank you, Mr. Chairman.

Senator **Glenn** [presiding]. Senator Thurmond.

Senator **Thurmond**. Thank you very much, Mr. Chairman.

Gentlemen, we are glad to have you here.

CS/CSS UNITS

The Guard and Reserve provide the following percentages, I believe, of CS/CSS units to the various theaters of operations: European—81 percent; Atlantic—80 percent; Pacific—77 percent; Central—56 percent.

For all but the Central it is three-fourths or more.

Now, it appears that our defenses are still unable to sustain the combat operations on a global basis.

Is it true that the Army does not know the level of individual proficiency of about 70 percent of the Guard and reservists?

General **Ward**. Are you talking about the so-called skill qualification tests?

Senator **Thurmond**. Yes.

General **Ward**. SQT's are the numbers the GAO studied. I believe that their 32 percent annual participation rate, when viewed over the life of the 2 year program becomes 60 percent. This is still below the rate of the Active component participation rate, but that is because we have more units where a test is written for one piece of equipment and the unit has another. In those cases, the SQT is not taken seriously by the soldiers. They never see that equipment.

The test could be written for a 2½-ton truck, not the 5 ton truck that was actually on hand.

Now, last year some units, at great cost, did take the SQT by displacing people. For example, the 90th ARCOM said the test was given at significant cost to unit cohesion and to unit training. However, the numbers, while not as bad as the General Accounting Office says, can, in my personal opinion, be significantly improved. However, the limiting factors are the rules of the game you are playing, not how hard you can hit the ball.

SKILL QUALIFICATION TEST

Senator **Thurmond**. Is it true that less than two-thirds of the Guard and Reserves passed that skill qualification test while about 92 percent of the Active Force did in 1987?

General **Burdick**. Sir, I am not sure of the actual percentages there. But, again, the problem for that is oftentimes we have a test that we don't have the equipment for.

For example, I still have 700 M-48 tanks, and we have an SQT that is not designed for the equipment that we have. So, the individuals cannot readily pass something like that.

Also, in all cases, we do not have an SQT for the MOS. In other words, we don't have a test for every military occupational specialty. That is another reason why we do not use that as a criterion for promotion. We use promotion boards, and that is one of the things that is included; but it is not the sole criterion.

General WARD. Senator, could I add to that?

The trend in 1988 shows that the percentage passing is about 83 percent, but, historically, the passing number, for both the Guard and Reserve, is about at the mid-60's—68, 66, 65 percent range. Nevertheless, the issue of mismatching equipment is very, very crucial.

There was a statement made earlier that we do not use the skill qualification test for promotion. That is not correct. It is required, but waived if the unit does not have the equipment. It is one of the criteria, but not the sole one, and not even a required one if there is no MOS for that position or the MOS is irrelevant to the position being revised.

General BURDICK. Sir, again, the Training and Doctrine Command recognizes this, and I believe in their recent report on this training strategy task force, they cite the requirement for an SQT that is applicable to the Reserve components.

General SMITH. We have a task force working that right now, sir.

COMBAT SUPPORT AND COMBAT SERVICE UNITS

Senator THURMOND. General Smith, in your testimony, I believe you indicated that the Army has been aware of problems in combat support and combat service support units for some time.

How has the Army's budget submissions reflected this awareness during the Reagan administration?

General SMITH. Sir, initially there was a large surge in resources that were applied across the board. Of course, more recently, the Army budget has not reflected that surge of resources.

The Army has, unfortunately, experienced 4 consecutive years of basically negative growth in its budget. There are a lot of things out there that we want to do that we can't do, and we are applying the resources that you give us as best we can to maintain the highest readiness status for the Army.

Senator THURMOND. General Smith, has our failure to provide combat ready units to support the forward deployed units in Europe lowered the nuclear threshold?

General SMITH. If a unit cannot fight in Europe for a sustained period of time, the only option that General Galvin has is to go to nuclear to maintain his defense.

Right now, he estimates in his testimony that he can go for about [deleted] with the conventional forces that he has, assuming that we reinforce him as best we can.

If we have less support, obviously those forces cannot sustain themselves as long, and it does cause them to have to go to a nuclear option earlier.

Senator THURMOND. General Smith, the Army created light divisions within our frozen end strength during a time when you indicate the Army was well aware of serious deficiencies in support units.

Was this responsible leadership on the part of the Active Army?

General SMITH. Yes, sir, it was.

Out of the additional divisions that were created, a total of 8,000 spaces were added to the Active component to support these initiatives to build these new divisions. At the same time, 9,900 spaces were added to combat support and combat service support during that timeframe. The light divisions gave us a capability that we did not have that could address worldwide contingencies better than the other forces that we had at the time.

EQUIPMENT PROCUREMENT PRIORITY

Senator THURMOND. General Smith, do combat support and combat service support units have equipment procurement priority over light divisions? If they do not, should they?

General SMITH. Sir, at the present time, the Army equipping strategy is, of course, trying to get everybody to C–1. But we can't do that. So right now, the intermediate goal is to bring the combat forces to C–2 level, and to bring the combat service support and combat support units to a C–3 readiness level.

Senator THURMOND. I believe my time is up, Mr. Chairman. I have a few more questions, but I will wait until you get through.

Senator GLENN. All right, fine.

I have a couple, and then we will get back to you.

EXPENDITURE PRIORITIES

In response to Senator Dixon's last question, I think you indicated that you would get a report back to us on what the priorities for expenditures would be, something along that line.

I don't know if that is going to do us a whole lot of good because we are going to go to markup probably before any report is going to get back here across the river.

I would appreciate it if you could give us any advice on where you think specific amounts of money might do the most good, if we could find some additional amounts of money.

Where would you advise us to put dollars? If we can find additional money in fiscal year 1989, where would you advise us to put the dollars to improve the readiness of combat support and combat service support units so that we improve our overall combat capability?

General SMITH. Sir, I think I can respond rapidly to that.

CS/CSS readiness obviously, the factors that make up that readiness—training, equipment on hand, equipment readiness, spare parts, the things that keep equipment going are important. POMCUS stocks in Europe, that allow units to deploy faster by air, to fall in on that equipment—the six POMCUS sets that we have in Europe now have major combat support and combat service support elements that are to be part of that once that equipment is all on the ground.

We have some $15 billion shortfall just in the POMCUS right now.

Senator GLENN. Are these reflected in the Defense budget that was submitted to us?

General SMITH. Sir, I do not know.

I will get that information for you.

[The information follows:]

The fiscal year 1989 amended budget buys equipment for the Army Acquisition Objective (AAO). Current projections based upon The Army Equipment Distribution Program (TAEDP) indicate that approximately $4 billion worth of equipment will be distributed/redistributed through the fiscal year 1989 Funded Delivery Period (total deliveries thru fiscal year 1991) to POMCUS. POMCUS fill competes with the equally important task of equipping Reserve component units to the C–3 level for equipment on hand. Congressional support of Army OPA appropriations is needed to enable necessary progress in filling these equipment requirements.

Senator GLENN. What I would like, if possible before we go to markup, is to have this information and to have it with dollar figures on it.

General SMITH. Yes, sir. We will provide that.

Senator GLENN. We have people, including me, quite happy to go to battle for you here and try to get the funding to do what has to be done if we are going to follow this total force concept.

If we are not, if we are going to back off the total force concept, we have to take some other approaches, obviously. But if we have the total force concept and we are dependent on the Guard and Reserve, then we have to do the things to make sure it is combat ready, or it will all mean nothing.

General SMITH. Exactly, sir.

Senator GLENN. That is what we are trying to do.

So, if you could hook up some dollar figures to the wish list of things that you would like to have and let me know what it is, then we will have something that we will be armed with to go into the markup and try to do some good for you.

General SMITH. Sir, we will do that and we will do it fast.

There are a couple of more areas that I would like to mention, if it is all right.

Senator GLENN. Go ahead.

STRATEGIC LIFT

General SMITH. Strategic lift is a thing where we need help big time. General Otis just testified that his most critical element in meeting 10 divisions in 10 days is fast sealift, and that is important, just as is additional airlift.

The C–17 program, is an example.

General Galvin has pointed out a need for more preferred munitions. We are talking about TOWs, Stingers, MLRS, the more sophisticated tank ammunition, Patriot missiles, that sort of thing. We don't have the stocks there that we would really need.

More modernization is part of the package too. To give CS/CSS units increased capability, we have new types of organizations that capitalize on high productivity. We need to move more into that arena to produce more efficient units.

MEDICAL READINESS

Senator GLENN. Let me get back to the medical readiness strategic plan. We have a feeling over here that this plan gets revised about once a year and that we change the end date on it, and we always put it out there 4 or 5 years out. It's like a floating crap game. We are still in the same situation that we were 3 years ago, except we have basically the same report with a new end date.

I hope we can alter that.

I don't want just to see a new date on the same old plan every year. This one now estimates that we are going to solve our position manning problem in the Reserve and Guard by 1992. Is that realistic?

Just how are we going to solve that thing, which has been insoluble up to now? What is the plan? What is the new incentive that is going to get people in by 1992?

General WARD. Senator, since most of them reside in the Reserve, I don't think there is any new magic to it. It is a continuation of programs like the Strap Program, the Stipend Program, and other things mentioned in our testimony that should annually deliver 200-plus new doctors in the right specialties and 600 nurses. That will probably solve the problem, assuming everything continues to be resourced at today's level. If they resource it at a higher level, we will get there more quickly. We'll get the troop program units up to required strength with the right mix to meet the full mobilization requirements. However, I do not see anybody addressing the 4,300 shortfall of other doctors in the IRR. We are not that far behind only 1,600 or 1,700 doctors are required for the TDA's.

Now, we could, by not paying attention to specialties, probably fill physician shortages more quickly. However, a psychiatrist is not a terribly good neurosurgeon when you need one. Therefore, we need neurosurgeons. We are concentrating on specialties, and, indeed, not accessing all of the MC officers we require if they don't meet the right specialties.

Senator GLENN. We will have some additional questions given to you. We appreciate your patience and the nature of the truncated hearing this morning.

I know you appreciate our time problems.

Senator Thurmond, please go ahead.

Senator THURMOND. Thank you, Mr. Chairman.

DEFICIENCIES IN THE RESERVE

General Ward, the General Accounting Office pointed out some glaring personnel deficiencies in the Reserve. Do you agree with their findings?

If not, I presume you will submit a detailed rebuttal for the record, won't you?

General WARD. The testimony, which I just took a look at this morning, and the charts, which I must say, come to the same general conclusions that we have been coming to in some areas.

Senator THURMOND. Well, now, I asked a simple question. I asked you do you agree with it.

General WARD. I don't agree with it.

Senator **Thurmond**. Would you submit a rebuttal for the record? That is all I am asking you.

General **Ward**. We will do that.

Readiness of Army CS–CSS Units

While I acknowledge that the Army Reserve's combat service support units have readiness deficiencies which require resolution, I do not agree with the extent of the cited GAO report on one area. The Army's latest unit status report reflects a 10 percent higher combat ready rate than the GAO findings for the Army Reserve's combat service support units in the M+10 essential force.

The reports, from which the figures were obtained, determine a unit's status by comparing selected personnel, equipment, and training factors to wartime requirements but were not designed to measure all aspects of a unit's readiness. As provided in earlier testimony, the Army is working to improve our ability to quantify true combat capability more accurately.

Second, the GAO report correctly claims that of this same category of units [deleted] of the non-combat-ready rates are due to personnel deficiencies. The Army Reserve recognizes the extent of this problem and has identified a shortage of personnel qualified in their Military Occupational Specialty (MOS) as the principle personnel shortfall.

Although many Reserve commanders have a sufficient number of personnel assigned to their units, turnover within the unit ranks interfers with the MOS training of soldiers. Example of turbulence contributors are such things as inter-component transfers, transfers from Reserve to Active component and normal job migration within a young population of mobile Americans. This turnover notwithstanding, there are several initiatives underway in the USAR to improve MOS qualification.

Measured resource areas of Army Reserve units have shown improvement over the period from October 1985 to October 1987. While modest, the upward trend is expected to continue over the next several years as force readiness programs enhance equipment and personnel readiness. The Army recognizes the vital support role provided by Reserve Component combat support and combat service support units and as such, will continue to receive the close attention of senior Army leadership.

Senator **Thurmond**. General Smith and General Burdick, I would like you to answer this question.

Would you answer that same question, too, please, that I have just asked General Ward. If you agree with the General Accounting Office, then OK. If you don't, would you submit a rebuttal that explains that.

General **Smith**. Yes, we will do that.

General **Burdick**. Yes, sir.

[The information follows:]

GAO Report

General **Smith**. The official Headquarters, Department of the Army (HQDA) readiness statistics differ from those of GAO in some categories (e.g., total number of units analyzed). This is due to the difference in the definitions of combat support/combat service support (CS/CSS) units used by GAO and HQDA. Because of these variances, the percentages of units rated not combat ready by the Army differ, to some degree, from those of the GAO. These differences, however, do not change the "bottom line" results of the study. It is important to point out that a number of the units rated C–5, which GAO includes in the not combat ready category, can, in fact, perform portions of their missions. Units in C–5 status are, for the most part, units undergoing programmed modernization, reorganization or restructuring actions. Resources directed toward these units are intended to bring these organizations to at least a C–3 deployable and ready status within a specific time period.

Following are some specific rebuttal points:

On page 4, second paragraph, GAO describes latest arrival date (LAD) incorrectly. LAD is an actual capability to deploy by a date, not the required date of arrival. The CINC's required delivery date (CRD) is what the GAO should have stated. This correction would change the population reflected in Table 2 on page 5.

On page 6, Table 3 is misleading in that it compares LANTCOM along side EUCOM. The Army forces apportioned to LANTCOM are a fraction of those apportioned to EUCOM. It is inappropriate to compare these two dissimilar populations equally. The same logic applies to other tables with LANTCOM data.

On page 8, Table 6—it should be noted that the large number of Europe based CSS units reporting not combat ready is primarily a function of reduced peacetime manning level (Authorized Level of Organization—ALO). Lower ALO reflects a reduced workload in peacetime (medical, maintenance) and the personnel restrictions under the European Troop Strength ceiling. For example, the full-up authorized level of resourcing of a military hospital is based on its wartime workload, e.g., the expectation of large numbers of casualties, many with serious wounds, and the need to handle such complexities as mass casualties. Manning hospitals in peacetime at 100 percent of authorized level would result in more physicians than are required to handle the theater's workload and would underutilize their valuable and scarce skills. A better way to organize this type of unit is to ensure the personnel and equipment structure supports the wartime requirements, but to physically man the unit at a level commensurate with the peacetime workload, and surge to a fully manned level when required.

On page 10, last paragraph, the GAO report incorrectly states Army distribution policy. The CS/CSS units which are authorized POMCUS storage have the same priority for their POMCUS set as the combat unit sets they support. Additionally the Army is distributing equipment to improve Reserve component units to at least the C3 level and to equip Reserve component minimum essential equipment for training (MEET) sites ahead of many active combat units.

On page 15, the GAO report discusses skill qualification tests (SQT). The data presented is not fully correct in that not all soldiers are required to take the SQT. For example, soldiers that change jobs or stations are exempted temporarily; some grades are excluded; for some skills there is no test; and some Reserve units lack the equipment to conduct the entire hands-on portion of the SQT.

Notwithstanding these exceptions, the overall GAO report was well done, tells a fairly accurate story, and points out the areas where we need to continue to improve. However, it should be recognized that the GAO report represents a snapshot in time. It does not show the great progress the Army has made, particularly in the last two years. Neither can it reflect the continuing momentum toward resolving the many challenges of CSS readiness. The fixes are planned and the mechanisms are in place. If the Army continues to get funding, CSS readiness will continue to improve.

General BURDICK. We agree that the data are generally accurate. However, the report takes a negative approach by indicating that 25% of the units are not combat ready. The opposite of this, a more positive approach, is that 75% of these units are combat ready. Also, the report reflects only a particular moment in time and does not indicate the increasing trend in overall improvements which Army National Guard CS/CSS units have shown from October 1985 to January 1988.

An additional point which the report does not address requires clarification. Units determined to be C-4 or C-5 may, in accordance with a JCS Memorandum of Policy, dated 5 August 1986, undertake selected portions of their wartime mission if the situation dictates. This is especially true of C-5 units which have been placed in this category as they undergo modernization. Readiness ratings are, therefore, a signal of a unit's ability to go to war and not an absolute value of its warfighting capability.

LENIENT AND INEFFICIENT COMMAND STRUCTURE FOR THE RESERVES

Senator THURMOND. General Ward, there exists a very lenient and inefficient command structure for the Reserves, or so some people feel.

Should that system be substantially modified and integrated with the Active Army to provide more efficiency?

General WARD. I think there are many things that we could do to speed up both the efficiency and the effectiveness of that structure. For example, there are areas in construction management and some of the areas are in personnel. There are a couple of ongoing studies today. However, there is a recognition that, with new roles and missions we have to be more efficient in construction and personnel management and in logistics cross-leveling.

Senator THURMOND. General Burdick, does the traditional State role in the Guard conflict with the wartime mission of Guard units?

General BURDICK. No, sir.

You know our CAPSTONE programs and round-out programs relate very well to our wartime missions, and I think all the adjutant generals, and the chain of commands within the States related very well to that.

Senator THURMOND. You think that is all worked out now?

General BURDICK. Sir, I don't believe there is any problem.

I would like to go on record just to say that our command chain in the Army National Guard, in that we are organized more along the TO&E lines, that we have a very good command structure, and I see no problem in that today.

Senator THURMOND. If the States are gone, do you get the Federal equipment, do you get the Federal Government to pay them? It seems to me that that is fully in line with cooperating with the plan.

General BURDICK. Yes, sir.

Senator THURMOND. I have been a long-time supporter of the Army Reserve. No one has stood by them better than I have.

But I really think you have to whip these units into shape so that they are combat ready, or there is no use to have them.

General SMITH. I would agree totally with you, sir. That is our objective.

Senator THURMOND. General Ward, how do you feel?

General WARD. I feel if you resource them properly, they will deliver.

Senator THURMOND. General Burdick, how do you feel?

General BURDICK. I agree with that, sir. We have to be resourced.

I think the Guard has always responded. You know, just to reflect on your earlier question, we have had a couple of situations where a few of the Governors have been reluctant to have their troops train overseas, and we are addressing this.

Senator THURMOND. I think what we have provided here in the statute ought to take care of it.

General BURDICK. We feel that the Montgomery amendment does take care of that, sir.

Senator THURMOND. Thank you very much, Mr. Chairman.

Thank you, Generals.

Senator GLENN. Thank you, gentlemen.

If you would respond to the additional questions we send you, we would appreciate it.

Your response to Senator Thurmond's question about given the proper resourcing, that is what I am talking about in the budget. Give us some figures so that we can help you out in this area. If we don't get the figures, we won't know what you really need and we can't do the job.

I am very much concerned about this idea of how the Army makes the decisions over there on what the force mix is going to be and who does what jobs, because we have gone on for a long time now with units in the Guard and Reserve, before your watch, all of you, with this problem. We have been talking about this problem and I think Senator Thurmond is right. We have to give you the resources. There isn't any doubt about that. Then, if we are going to keep the force mix we have and the mission assignments that we have, we have to expect that these things will move up.

[Questions for the hearing record with answers supplied follow:]

QUESTIONS SUBMITTED BY SENATOR ALAN DIXON

ROUND-OUT BRIGADES

Senator DIXON. General Smith, GAO testified that the Army National Guard's round-out brigades assigned to the "M+10 Essential Force" would not deploy with their parent divisions under current Army plans. Is this the case?

General SMITH. Round-out brigades are not part of the M+10 Essential Force, although several of the divisions which makeup the M+10 Essential Force have round-out brigades. The Essential Force units must be able to [deleted]. The time required for the Reserve component units to mobilize and deploy [deleted]. The round-out units are scheduled to deploy in accordance with the CINC's priorities so that they arrive [deleted] parent units.

The combat divisions, brigades, and the regiment of the M+10 Essential Forces are all Active units which are fully ready to deploy. The total number forward deployed and reinforcing brigades equivalents add up to the 10 division force. The separate Active component brigades are not planned to replace the round-out units and are [deleted] the divisions. Round-out brigades are the result of force structure constraints within the Active component and provide an efficient mechanism to insure the availability of the most Ready Reserve component brigade possible through its sponsorship relation with a parent Active component division.

READINESS OF ARMY CS/CSS UNITS

Senator DIXON. General Burdick, why do we designate certain brigades in the Army National Guard as round-out brigades if the Army's plans do not call for deployment of these brigades with the Active units they are supposed to "round-out"?

General BURDICK. Army National Guard round-out brigades are designated by Headquarters, Department of the Army to fill out Active component force structure requirements as compensation for manpower losses and budget constraints. The use of round-out forces has been determined to be a realistic method of supporting the worldwide mission requirements of the Active component element and generally have the highest priority for resources within the Army National Guard. Round-out ARNG units deploy with their Active component division or as soon thereafter as possible, however, mobilization requirements and strategic lift availability may limit the deployment time of ARNG round-out brigades in comparison to their Active component division.

READINESS RATINGS

Senator DIXON. General Smith, do you or General Ward or General Burdick disagree with any of the readiness ratings for combat support/combat service support units that GAO presented this morning.

General SMITH. The official Headquarters, Department of the Army (HQDA) statistics differ from those of GAO in some categories (e.g., total number of units analyzed). This is due to the difference in the definitions of combat support/combat service support (CS/CSS) units used by GAO and HQDA. Because of these variances, the percentages of units rated not combat ready by the Army differ, to some degree, from those of the GAO. These differences, however, do not change the "bottom line" results of the study.

While HQDA is in overall agreement with the report, it is important to point out that a number of the units rated C-5, which GAO includes in the not combat ready category, can, in fact, perform portions of their missions. Units in C-5 status are, for the most part, units undergoing programmed modernization, reorganization or restructuring actions. Resources directed toward these units are intended to bring these organizations to at least a C-3 deployable and ready status within a specific time period.

Senator DIXON. [Deleted.]

General SMITH. [Deleted.] However, within the resourcing constraints imposed upon the Army, major efforts are being made to further improve the readiness status of the Army's combat support/combat service support (CS/CSS) units. If CS/CSS units are viewed over time, e.g., from 1985 to the present, major readiness improvements are evident. In Oct. 85, [deleted] of early deploying (D–D+30) CS/CSS units were at C–3 or better. As of Feb. 88, [deleted] of our early deploying units are C–3 or better. The number of units within this population has increased significantly. Even with the increase, we are experiencing a definite upward trend.

Future resourcing in the program years continues to be focused on CS/CSS units with the objective of at least a C–3 level of fill for all of these units. The amount of funding made available each year will determine the rate of improvement.

Senator DIXON. General Smith, according to GAO over [deleted] of the Army's U.S. based combat support/combat service support units that would reinforce Europe are rated not combat ready.

Do you agree with this figure?

General SMITH. Yes. Current data reveal that GAO figures are essentially correct. These findings are not new to the Army, however, and programs are ongoing to improve combat support/combat service support (CS/CSS) readiness status. Adequate ready CS/CSS units do exist in the Army's force structure to be applied to the most likely warfighting contingencies. A war in Europe is the least likely contingency on the horizon; although we do structure forces toward this more demanding scenario to back up CINC warplans. [Deleted] of the Army's U.S. based CS/CSS units are C–3 or better as compared to [deleted] C–3 or better in Oct 85. The trend for CS/CSS units is positive and we expect continued improvement. Our challenge is to get all CS/CSS units ready and our programs are oriented to do this. However, austere budgets will impact on the rate of improvement.

READINESS OF ARMY CS/CSS UNITS

Senator DIXON. General Burdick, according to the GAO, 25% of the National Guard's combat support/combat service support units that would reinforce Europe are rated not combat ready. Do you agree with this figure?

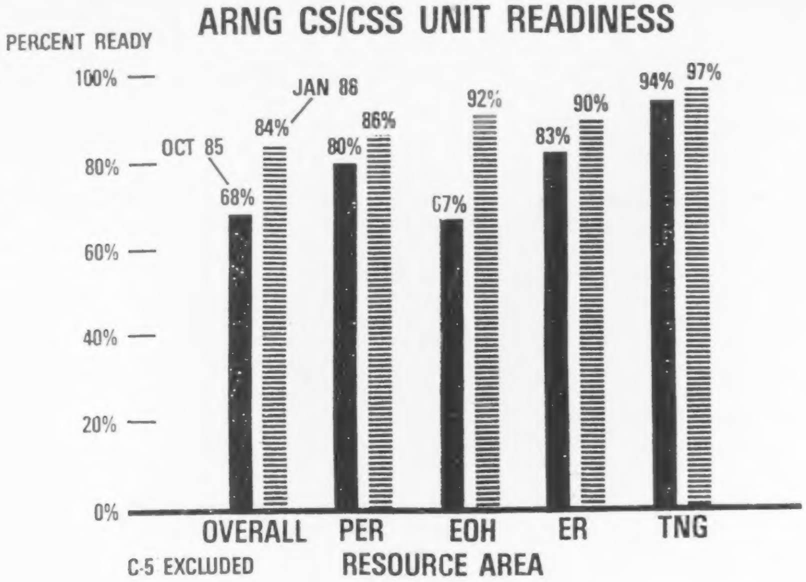
General BURDICK. We agree that the data are accurate as of October 1987.

Senator DIXON. How does this relate to the overall figure of 84% combat ready figure for Army National Guard combat support/combat service support units in your statement?

General BURDICK. Using readiness data as of January 1988, the 84% combat ready is derived by determining the total Army National Guard combat support and combat service support overall unit readiness excluding C–5 units. The enclosed chart reflects an increase of 16% in the Army National Guard CS and CSS units' combat ready status from October 1985 to January 1988.

AP 88

Army National Guard



Questions Submitted by Senator Strom Thurmond

READINESS OF ARMY CS/CSS UNITS

Senator Thurmond. General Ward, according to GAO, [deleted] of the Army Reserve combat support/combat service support units that would reinforce Europe are rated not combat ready? Do you agree with this figure?

General Ward. [Deleted.] The reports, from which the figures were obtained, determine a unit's status by comparing selected personnel, equipment, and training factors to wartime requirements, but were not designed to measure all aspects of a unit's readiness. As provided in earlier testimony, the Army is working to improve our ability to quantify true combat capability more accurately.

Second, measured resource areas of Army Reserve units have shown improvement over the period from October 1985 to October 1987. While modest, the upward trend is expected to continue over the next several years as force readiness programs enhance equipment and personnel readiness. The Army recognizes the vital support role played by Reserve component combat support and combat service support units, and, thus, they will continue to receive the close attention of senior Army leadership.

Senator Thurmond. General Ward, [deleted].

General Ward. A comparison of the Army National Guard and the Army Reserve is extremely difficult because of the differences in force composition. As an entity, the Army National Guard has a predominance of combat oriented units whereas the Army Reserve is principally organized for combat support and combat service support. For example, the Army Reserve has twice as many combat service support units as the Guard. Support units are composed of more unique equipment items and the associated soldier skills required to operate this equipment tend to be more technical than traditional combat units.

A second factor in contributing to the difficulty in comparing the Reserve components is unit size. About half of Army Reserve's reporting units are team or detachment size. A detachment may have as few as seven personnel assigned. Smaller units having a fewer number of soldiers assigned, are more vulnerable to personnel turbulence. The loss of one or two trained soldiers may have a dramatic impact in personnel readiness. Another reason for the difference is Equipment On Hand (EOH). Prior to the change in equipment distribution strategy in 1985, the ARNG had a higher priority of fill than the Army Reserve. Current equipment distribution strategy now gives priority to early deployers. Also the Army National Guard began its cross-leveling program in 1984 to bring all units to C3; while the cross leveling program directed by forces command for the Army Reserve didn't begin until a year later. The combination of the Guard's higher initial level of equipment fill and its early initiation of cross-leveling is the primary cause of the difference between Army National Guard and Army Reserve unit readiness.

QUESTIONS SUBMITTED BY SENATOR JOHN MCCAIN

10 IN 10 AND CS/CSS PROBLEMS

Senator MCCAIN. General Smith, I found your statement to provide a very useful explanation of the trade-offs the Army has had to make in structuring its forces. I am deeply concerned, however, that we now have serious problems in meeting our commitments to provide 10 divisions to Europe in 10 days, and that these problems will steadily grow worse as a result of the projected cuts in defense spending during fiscal year 1990 to fiscal year 1994.

Your testimony hints at these problems as they apply to Reserve Forces, but it is short of specifics and does not address each of the points in the GAO report in detail. We need a very precise picture of the major shortfalls we face in readiness and in meeting our commitments, of how they are likely to change with time under the current budget ceilings, and of the cost of correcting them.

Let me sum those problems up as we have heard about them over the last few months:

We now lack the sealift to come close to meeting our commitments to provide 10 combat ready divisions to NATO in 10 days, and this situation will steadily deteriorate over the next decade to the point we will not be able to provide 10 divisions in [deleted] days, much less 10.

We suffer from critical shortfalls [deleted] and in war reserves. Many of the stocks we do have are not deployed in Europe, and providing lift for them would further delay our combat buildup.

We are cutting back on many modernization efforts, or delaying them. Many of our attempts to provide new systems at the FLOT or to deal with FOFA either will slip beyond the early 1990's, or be sharply cutback in terms of overall procurement.

A recent task force of the Defense Science Board had indicated that we have [deleted].

We have serious problems in the readiness of our combat, combat support, and service support forces for Europe in spite of the fact that the actual flow of money to these forces is just peaking and will steadily decline over the next 5 years.

I gather you are a member of the two major studies going on in the Pentagon that are attempting to come to grips with the overall implications of these problems. Could you provide us with a detailed and comprehensive analysis of these issues for the record? I would like this analysis to treat each problem in full detail, to describe the trend as currently projected in the inputs to each year of the coming POM, and to provide a clear estimate of how quickly we can deploy full combat ready divisions in Europe. I would also like a rough cost estimate of what it would take to correct each of these problems.

General SMITH. There are two deployment initiatives ongoing in the Pentagon—one is the HQDA 10-in-10 Action being led by my directorate with Army MACOM participation and the other is a Joint Staff study entitled "Improving Force Closures for Europe" (IFCFE) with participation from the Services, CINCs, and OSD. I would recommend a review of the Joint Staff's April 1, 1988 IFCFE study report to the Deputy Secretary of Defense. Your staff can request this in accordance with the DOD Regulation 5400.2 through the OSD Legislative Liaison office.

Your request for a detailed and comprehensive analysis of the deployment issues for the record is too broad for such a complex set of interrelated issues. I suggest that it may serve our mutual purposes to provide you or your staffers with a briefing on our initiatives coupled with a discussion of the points of special interest to you which you have just stated. [Note: The suggested briefing and discussions were subsequently arranged and conducted on April 21, 1988. Brigadier General Armstrong, Director of Force Program Integration, Office of the Deputy Chief of Staff for Operation and Plans, accompanied by several staff officers met with Mr. Cordesman of Senator McCain's staff.]

READINESS RATINGS

Senator McCain. General Galvin made it very clear during his testimony to the committee that he did not regard the present Army C-1 to C-5 readiness system as a valid method of measuring the capability to fight a war in Europe, and that he was working on a more valid system. The GAO and Army testimony depends on the C-1 to C-5 system.

This makes it difficult to respond to your presentation of figures on C-1 to C-3 readiness since their validity has been explicitly rejected by the major commander in the theater. Could you comment for the record on the precise differences between you and General Galvin on this matter, and as to what is being done to provide readiness data that General Galvin does regard as a valid measure of combat readiness?

General Smith. The unit status report is a snapshot view of a unit's resources at a point in time. It is not an assessment of capability or combat readiness. The C ratings are a measure of resource levels in terms of personnel, equipment and training. While the level of fill of these resource areas will have an impact on capability, they are not by themselves the determining factor of combat readiness. I think that is what General Galvin is talking about, combat readiness. The Army is in the process of trying to develop a new system that will more effectively measure combat readiness (capability and sustainability).

Combat readiness is difficult to quantify, is frequently subjective and is ever changing as states of training change, levels of fill vary, personnel rotate to new assignments and equipment is used with resultant wear and tear. Capturing "combat readiness" in simplistic terms that everyone agrees to and understands will be a difficult mission. Nevertheless, since December 1987, the Army has been working hard on a new system to better describe combat readiness. Efforts to date, have generated a "draft" Combat Readiness Report that will allow unit commanders to assess their capability to go to war, perform assigned missions, and sustain their force over time. This report will specifically address those concerns raised by General Galvin and others. Input from Army field commands and the CINCs will be used in the final design format.

READINESS TRENDS

Senator McCain. General Smith, I am deeply disturbed at the analysis in the Army testimony because it ends at a point that reflects the improvements made as a result of the increase in defense spending in past years, and does not provide any estimate of the trends that will occur in the future as the result of much lower levels of real defense spending. Could you provide us with a detailed analysis of the projected trends through fiscal year 1994 for the record?

General Smith. Today, we do not have the capability to provide a detailed analysis of the projected trends through fiscal year 1994. Projecting personnel fill, equipment readiness status, and training proficiency for the outyears is a particularly difficult and an almost impossible task.

The Army has under development a Status Projection System which is designed to enable leadership to assess the impact on readiness of various resource levels across the force, at the Major Command, and at organizational level throughout the program years. This status projection system will provide the capability to link the three functional areas of personnel, logistics and training into a single decision support system capable of answering two key questions: (1) Given the projected levels of resources, what are the projected readiness levels of Army units across the POM? (2) Given a change in resource availability (increment or decrement), what is the projected impact on readiness? We are currently at the midpoint of bringing this system online. We hope to have the ability to project equipment status by the end of 3rd quarter fiscal year 1988. Personnel fill and training projections may be possible during the next fiscal year.

[Additional prepared statements submitted by the NCOA and the Reserve Officers Association for the hearing record follow:]

STATEMENT OF

SERGEANT MAJOR C. A. (MACK) MCKINNEY, USMC (RET.)

LEGISLATIVE COUNSEL

NON COMMISSIONED OFFICERS ASSOCIATION OF THE USA (NCOA)

MILITARY CONSTRUCTION AND MILITARY FAMILY HOUSING, FY 1989

Mr. Chairman: The Non Commissioned Officers Association of the USA (NCOA) extends appreciation for permitting its representative to comment on the military construction and military family housing programs for fiscal year 1989.

NCOA membership is currently in excess of 160,000. It is representative of all branches of the Armed Forces with a majority on active duty serving worldwide. Most of the association's active chapters are located on or near military installations. This close relationship with the military community is the cornerstone by which the association builds its legislative program.

The association's FY 1989 military construction program is divided into five sections:

- Strategic Homeporting
- Manufactured Housing
- Section 6 Schools
- Bachelor Quarters
- Miscellaneous

Each is discussed below.

STRATEGIC HOMEPORTING

NCOA continues to voice its disillusion with the Navy's homeporting plan. It appears that the Navy has failed to propose adequate provisions and funds for the well-being of its enlisted personnel who'll be assigned to such high-cost sites as New York and San Francisco.

The association's disappointment, expressed last year before this subcommittee, recently turned to concern when a Navy witness offered diminished facilities for enlisted personnel subsequently assigned in New York as part of the homeporting plan. When querried about the facilities the Navy witness replied, "They won't be as comfortable and the more senior enlisted who would be allowed more square footage normally won't have that. They will have the same square footage as a new person coming into the Navy."

NCOA urges this subcommittee to insist that the Navy first provide adequate personnel and family support services for naval personnel assigned to the new strategic homeports or delay authorization for the expenditure of funds earmarked for other construction projects in the homeporting plan.

MANUFACTURED HOUSING

The association's second disappointment is derived from the report of the 1987 conference committee on military construction. It removed the provision requiring each service to select manufactured housing for one of its FY 1988 construction programs.

NCOA is puzzled that in these times of soaring deficits

Congress doesn't insist on the use of more manufactured housing. At least three of these units can be constructed within the cost of two stick-built homes. Further, the move-in time is much faster providing more housing sooner for a housing-starved military community.

There's another plus to manufactured housing. Units can be dismantled and moved to new locations; something that can't be done with stick-built housing. This could be a great asset in an environment of up-and-down military end-strengths. The housing would be available to military personnel but can be dismantled and trucked to another installation or to a civilian community for use as public housing.

Whether leased housing is more advantageous to solving the military housing shortage is a question that this subcommittee must answer. However, if it is determined that government funds must be appropriated to construct family units on or near military installations, then NCOA recommends a greater use of manufactured housing.

SECTION 6 SCHOOLS

Section 6, Public Law 81-874, authorized DoD to operate schools so as to offer free public education to children residing on Federal property. In the 1950s and 1960s a number of schools were built on military installations. Today those same schools are unable to accomodate Federal, state, and local laws and standards introduced in the last decade.

At one time these schools were the responsibility of the Department of Education (DE). In fiscal year 1982 Congress returned the facilities to DoD. Special legislation was adopted in 1983 authorizing the use of defense appropriations for the construction, repair, and rehabilitation of the schools.

Two years later DoD spent $88 million to operate elementary and secondary schools on 17 military installations. Congress then directed a study to determine the feasibility of transferring the schools to local educational agencies. The study was completed by December 1986 and the General Accounting Office recommended that Section 6 schools under DoD control be operated as local school districts within the boundries of the military installations. Funding would be shared by DE and the responsible state government.

To affect such a change GAO noted that Congress may want to consider (1) increasing impact aid funds, and (2) authorize states to reduce payments to these new school districts to avoid an increase in total per-pupil funding.

However, Congress appears to be in no mood to increase impact aid funds and the local education agencies do not want the Section 6 schools without that promise, nor without the schools being repaired and rehabilitated.

Most important is the wish of those who will be affected by these transfers; the men, women and children of our military communities. We speak of enhancing their quality-of-life and improving their morale, yet we leave them dangling as to the direction of the future of the childrens' education.

It is time for Congress to determine what is to be done with Section 6 schools. Hopefully, the will of the military communities involved will play the major role in the final decision.

BACHELOR QUARTERS

There has been much interest expressed by military officials over the need for more and better family housing, child care and family centers, and other facilities to accomodate our growing number of military families. NCOA is a part of that advocacy but is becoming increasingly concerned that sufficient attention is not being directed toward the bachelor servicemember and his or her needs.

Nearly one-half of our enlisted servicemembers are not married. A greater number exists when geographical bachelors are added thereto. Although the latter requires consideration, and NCOA has discussed this with the subcommittee in past years, the association's primary interest now deals with the true bachelor.

Congress is urged to turn its attention to this issue. The services continue to first recognize the military family with little consideration given to the well-being of their unmarried personnel. There already exists some disparity in compensation.

A major complaint of many bachelors, other than pay, is the tough restrictions imposed on those living in bachelor quarters.

Granted there must be some control over junior enlisted personnel, but when a servicemember is advanced to the rank of noncommissioned or petty officer, a less restrictive atmosphere should be exercised by commanders.

NCOA urges Congress to direct the military services to furnish a report on their enlisted bachelors and what can be done to provide needed improvements for their well-being. This would include MWR facilities, such as clubs which may be the only recreational facility available on-post for bachelor servicemembers.

We need to do more to encourage the bachelor servicemember to continue his or her career in the military. Their retention is cost-effective.

MISCELLANEOUS

Capehart-style Housing

NCOA advocates the proposed study of reviving a Capehart-type housing program for our military community. Those of us who recall the advent of Capehart housing some years ago as a replacement for Wherry Housing, were elated at the change.

Housing Allowances

Although this subcommittee hasn't much to do with housing allowances, NCOA does wish to comment on the inadequacy of the amounts allocated to those servicemembers required to find civilian housing. Everyone should be aware that there isn't adequate housing for many of our military personnel. As long as this problem exists, Congress should provide reasonable payments of basic allowance for quarters (BAQ) and variable housing allowances (VHA). Currently, Congress is not fulfilling this obligation.

Morale, Welfare and Recreation (MWR)

Congressional actions these past few years have reduced appropriated fund support. Visibly affected are revenue-generating MWR activities, particularly in metropolitan areas. The result is a decided decrease in troop morale and difficulty in finding adequate funds to operate on-post clubs. MWR is critical to the nation's military effectiveness.

In general, MWR facilities are available to the troops, not only to improve morale and provide recreation as a physical and mental outlet, but to offer an incentive for them to stay on-post rather than travel long distances over short periods of time to find other recreational outlets. MWR helps save lives that might have otherwise been lost on our highways.

Mobile Home Parks

There are a number of military installations that have had much success with mobile home parks. NCOA urges Congress to direct the services to study the feasibility of developing more of these parks, particularly where there's a shortage of housing for junior enlisted personnel.

Enlisted Chief's Housing

NCOA is advocating the adoption of legislation that authorizes the Navy to construct housing for the Master Chief Petty Officer of the Navy and Sergeant Major of the Marine Corps, the two senior-most enlisted members of their respective service. It is understood that the funds are available and only the authorization is required. NCOA urges the subcommittee to approve the construction.

Epilogue

There are, of course, other issues that are important to this subcommittee and NCOA. However, NCOA has attempted to address only the major concerns voiced by the majority of servicemembers approached by its representatives who are part of the association's membership.

NCOA welcomes the subcommittee's assistance in continuing its thrust to enhance the quality-of-life for our servicemembers. And it does not forget the outstanding support the subcommittee members have given over the past years. NCOA salutes each of you for a job well done.

Statement of
Major General Evan L. Hultman, AUS (Ret.)
Executive Director
Reserve Officers Association of the United States

Mr. Chairman and Members of the Committee:

On behalf of the many men and women from all of the uniformed services who are members of the Reserve Officers Association, I appreciate having this opportunity to address the FY89 Department of Defense authorization pertaining to the readiness of the Reserve forces.

In the past years, the ROA has encouraged Congress to provide better and more modern equipment to the Reserve Components as an economical way to maintain the readiness of the armed forces in a precarious world. While the threat to our national security has in no way diminished, the amended FY89 defense budget request has been significantly reduced. Thus the wisdom of providing needed resources to the Reserve has become even more apparent.

It is well known that Reserve forces are the most economical source of units when they are properly equipped and trained. The Reserves have repeatedly demonstrated that they can do the job. At a time when it has become politically necessary to reduce defense spending, reliance on the Reserves is especially meaningful, and that means providing them effective equipment.

ROA wishes to thank the Congress for the significant gains made in modernizing the equipment of the Reserve forces during recent years. To a great extent, this has been initiated by Congress, not Pentagon budget requests. ROA is concerned that having been assigned additional missions or responsibilities, the Reserve forces will now be expected to accept across-the-board reductions or a "fair share" of the cuts. It is our contention that the Reserve Components should be provided more funds, not less, when the active forces are cut.

Traditionally, force structure is transferred to the less expensive Reserve Components to preserve it for future contingencies. The saving is made by placing it in the Reserve. However, mission transfers are not always accompanied by essential manpower required to effectively manage force growth, the equipment necessary to assume maintenance of combat capability, nor the funding to train the force to required readiness levels. If, having served as the vehicle for attaining a cheaper force structure, subsequent budget and manpower cuts are applied equally to the Reserve and the active forces, combat capability and readiness must suffer.

The Congress and the Administration agreed in a budget compromise in November 1987 that the Department of Defense would receive $294 billion in outlays for FY89. We understand and appreciate the ramifications of the budget agreement, but within the budget constraints, we urge the Committee to reorder the priorities of the amended FY89 DoD budget request to adequately fund the added missions and responsibilities of the

Reserve Components. Recognizing the inherent savings in the Reserve force structure, we encourage the Congress to assure that essential manpower, equipment and operating funds be authorized to preserve the required combat readiness of the Total Force.

Army Reserve

The Army Reserve (USAR) is an integral part of the Total Army which requires highly trained, rapid deploying forces capable of deterring aggression on a broad spectrum of conflict. Today, with increased missions and heightened mobilization readiness, the Army Reserve deploys in many instances well before its active counterparts. Gone are the days which offered lengthy post-mobilization training periods. Gone are the days when the Army Reserve was considered primarily a source of replacements and fillers.

Today's Army Reserve must be trained and equipped now for mobilization and deployment. Preparing for this war mission has increased the administrative and logistical burden on the unit commander. His available time which should be focused on training for war is subsumed in personnel records keeping, pay problems, conduct of over-40 screening, HIV testing, tracking Reserve Center property, and other programs. The unit commander focuses on these areas because they are also areas for inspection during the Annual General Inspections. Combat readiness is being denigrated for peacetime administrative readiness.

Administrative readiness is also a myth. There are thousands of Reserve soldiers each month whose pay is not processed correctly. Bonus payments and VA benefits are delayed unnecessarily because systems do not support the soldier. This contributes to Army Reserve units facing approximately one-third turnover in personnel each year.

Accordingly, the Army Reserve has developed a concept (the Command Support Center) which it believes will improve its management and readiness by removing the peacetime unique administrative burden from the unit commander, permitting him or her to spend more time planning, preparing and supervising training for mobilization. The CSC concept provides for assigning full-time personnel, primarily military, to troop units to provide full-time assistance to the commander to better organize, plan and train in all functional areas in the unit. The Command Support Center is a support activity, located in each USAR Center, which provides Base Operations (BASOPS) support to the tenant units of that center. It is formed primarily by those Army Reserve Technicians who currently perform the majority of those peacetime functions in the resident units.

The Command Support Center concept would offer the following major improvements:

* Provide Reserve commanders with an organization structure fitted to mobilization readiness requirements.

* Release unit commanders from administrative duties to train their unit.

* Align the technician force to support activities.

* Align the full-time military force (AC and AGR) to training and mobilization preparedness activities.

* Provide career enhancement opportunities within the technician program.

Today, increased missions and heightened mobilization readiness finds the Army Reserve deploying along side -- not well after its active counterparts. The Army's unprecedented and fully justified reliance upon its Reserve Component has been due, in large part, to the effectiveness of its Full-Time Support Program.

Congress has been highly supportive in this increased role and modernization for the Army Reserve by providing the funding for new equipment, full-time Reservists and increased unit strengths. While supportive of the Army Reserve's increased role, the Congress has for the past several years included language in its annual Department of Defense appropriations bill that has restricted the Army's initiatives to more efficiently manage the Army Reserve technician portion of its full-time support force.

The technician program is a critical part of the Army Reserve Full-Time Support Program, but was designed to support an Army Reserve that was much smaller and deployed 60 to 90 days after its active counterparts. The Technician Program remains as it was in the early 1950's.

Increasingly tightened budgets dictate changes in the way the Reserves must do business. Every aspect of the Reserve's operation must be as efficient as possible. Accordingly, the Army Reserve seeks to improve its management and readiness by removing the peacetime unique administrative burden from the unit commander permitting him or her to spend more time planning, preparing and supervising training for mobilization. Based on the Army's own evaluation and the recommendations of the General Accounting Office, the Army Reserve has developed a test plan for restructing its full-time support program to make it more responsive and cost effective to the expanding role that the Reserves must play in today's Total Army. The Army believes that this proposed restructuring will give the Army the programmatic flexibility it needs to provide significantly improved full-time support at all Reserve organizational levels. Restructuring will also enable the Army to apply recent improvements in Reserve administration and automation systems such as the Reserve Component Automation System (RCAS).

The Army Reserve is seeking committee approval to conduct a limited test of the full-time support restructuring. The test, which would take about 24 months and would be limited to three major US Army Reserve Commands, would allow the Army to evaluate and modify its concept based upon actual experience, measuring productivity and readiness, and would also allow its military technicians to study and evaluate the effect its proposal would have on their status and careers.

The Army Reserve needs continued support and emphasis on benefits to make service attractive. Incentive Programs are a must. The Army Continuing Education System (ACES) provides various educational opportunities to enlisted soldiers and commissioned officers who attend school part-time (e.g., high school completion and part-time post-secondary school) and are not covered by the Montgomery GI Bill. Commissioned officers incur a four year Selected Reserve service obligation following the last ACES supported class. Our need in the area is a legislative change to permit AGR officers and all warrant officers to receive tuition assistance.

The Montgomery GI Bill is a most valuable entitlement and provides benefits to our soldiers and airmen who are attending undergraduate college on a half-time or more basis. ACES provides tuition assistance to soldiers who attend college on a less than half-time basis as well as many low-cost high-impact educational opportunities that the Montgomery GI Bill doesn't cover (e.g., high school completion, college credit by examination, and college credit by evaluation). These two programs complement each other in covering the educational spectrum and are very useful.

The operation and maintenance support of the Army Reserve has also been reduced significantly. The Operation and Maintenance, Army Reserve (OMAR) budget request for FY89 is for $795 million, a decrease of $63 million from FY88. This is after price inflation and pay raises have been included in the FY89 request. Achieving this reduction while leaving minimum essential mission requirements intact requires a reduction in BASOPS support, unit supplies and equipment replenishment, an increase in the backlog of maintenance and repair of Reserve centers, and elimination of the IRR and 40 and over cardiovascular screening programs. Finally, personnel could not be totally exempted from the cuts. The Army Reserve is reducing civilian technicians and Department of Army civilians by 400 and 200 respectively. We expect that these reductions, severe as they are in a small program, will leave all essential operations intact through FY89.

The one bright spot to date has been equipment. Since FY81 the Army Reserve has received approximately $1.1 billion worth of equipment from both the Dedicated Procurement Program and Army procurement combined. This equipment has improved the Army Reserve training and capabilities. Progress is being made; however, we were still short $2.2 billion of our wartime required equipment levels at the end of FY87, according to the Annual Report of the Reserve Forces Policy Board for FY87.

The Army Reserve is an integral and essential part of the Total Army. In the fiscally constrained times ahead, your continued support is necessary for the Army Reserve to continue to provide trained units and qualified individuals to meet the nation's requirements.

Air Force Reserve

The Air Force Reserve (AFR) continues to set the standards for combat readiness and effectiveness of Reserve forces. All flying units are now combat ready and can be mobilized in 24 hours. With the modern equipment provided by the Congress in previous years, AFR units and individuals have again demonstrated their excellence in 1987.

In the highly competitive Air Force world-wide fighter gunnery competition, GUNSMOKE, the first, second, and fifth places in the individual "Top Gun" category were taken by Reservists from the 419th Tactical Fighter Wing. The 419th is an F-16 equipped AFR unit at Hill AFB, Utah that finished second out of 18 fighter wings in the overall standings.

Another example of the capability of Reservists to make the most of modern equipment is in the C-130H units, equipped by the Congress with add-ons to the DOD budget. The Dobbins AFB C-130H unit won the world-wide airlift competition in 1986 and the Maxwell AFB unit had the highest C-130 score in 1987. There is no doubt that the taxpayers receive top value for their dollars when the AFR receives modern equipment and the resources to train to combat ready status.

A Reserve team comprised of members of the Rescue units at Homestead AFB, Florida and Portland, Oregon won the best overall award at the International Search and Rescue Exercise. However, even these outstanding individuals are limited in their operational capability by their pre-Vietnam era H-3 helicopters. Modernization with MH-60G helicopters, as the Congress accomplished for the Air National Guard last year, would provide a dramatic increase in supportability and capability. ROA urges the Congress to add funds for 18 MH-60G aircraft to the FY89 AFR budget.

Despite their excellent training and demonstrated combat capability, AFR aircrews need equipment to improve their ability to penetrate sophisticated enemy defenses. The AFR's tactical fighter units lack the capability to survive in an electronic warfare environment because of a shortage of Electronic Counter-Measures (ECM) pods. AFR tactical and strategic airlift aircraft have no ability to detect or counter enemy radar or infrared missiles. The AFR is currently initiating a program to provide limited defensive capability for its fighter and airlift aircraft with funds added by the Congress to the FY88 budget. Again, we urge the Congress to continue this initiative by adding $45.9 million to the FY89 AFR budget.

ROA is concerned that budget constraints have resulted in the Air Force's proposing to "double dip" the AFR in its zeal to meet the FY89 spending limits. Significant savings are made when force structure is transferred to the Reserve Components. We ask that these savings not be "double dipped" by applying so-called "fair share" across-the-board cuts to the AFR and active force structures and appropriations.

For example, the Air Force's proposed reduction of aircraft and crew positions in the Air Reserve Forces will result in putting combat ready aircrews "out on the street" at the same time the Air Force is requesting 54 million dollars in bonuses to help stem the hemorage of pilots from active duty. Common sense would suggest that there should be more pilot slots in the Reserve, not fewer, to retain some of these highly trained and combat critical individuals in the Total Force. The taxpayers have at least six million dollars invested in each Air Force fighter pilot, yet the proposed deletion of an entire Air Reserve Force fighter wing equivalent (72 aircraft/90 pilots) will save only sixty million dollars a year.

The other ingredients of combat capability must also be adequately funded to have a force that can meet the threat. Reserve personnel, full-time support personnel, Operations and Maintence accounts are all essential to continue the outstanding status of the Air Force Reserve.

The Congress and the Administration agreed in a budget compromise in November 1987 that the Department of Defense would receive 294 billion dollars in FY89. We urge the Congress to reorder the priorities in the FY89 DOD budget to retain the maximum combat capability in the Total Force by taking advantage of the cost savings inherent in the Reserve components.

NAVAL & MARINE CORPS RESERVE

Readiness for mobilization is the only true criterion to be used to measure the affectiveness of Reserve Forces. This fact is becoming more important as our Reserve Forces continue to expand in absolute size and become an even greater proportion of our Total Force as active forces are reduced to accommodate budget reductions.

Readiness measurement has many dimensions. Since both the Naval and Marine Corps Reserve are above 90 percent of Naval Selected Reserve manpower requirements, the two dimensions that need, and are receiving, the most attention are training and equipment. Both of these areas also require additional support from Congress.

Congressional support is sorely needed for an increase in the authorized end strength of Full-Time Support (FTS) personnel for the Naval and Marine Corps Reserve. The Fiscal Year 1989 budget request reflects no growth in FTS personnel for either component. Both had their Fiscal Year 1988 request for additional FTS personnel reduced significantly by Congress. In the case of the Naval Reserve, the cut was to one half the requested growth (+515 instead of the 1,029 requested). The Marine Corps Reserve reduction was not as severe in relative numbers (200 authorized of 270 requested), but is equally critical in light of its negative impact on the Marine Corps ability to support new equipment being transferred to the Reserve.

The Reserve Officers Association strongly supports an increase in FTS personnel of 750 for the Naval Reserve and 270 for the Marine Corps Reserve for Fiscal Year 1989. This modest increase will do little more than make up for the cut in growth requested this year. These additional personnel are essential to the effective operation and support of new units being established or new equipment being assigned to these components and, equally importantly are required to provide necessary support which will make more effective training available at the unit level. After all, as mentioned earlier, training is one of the keys to Reserve effectiveness.

Another key is equipment. Great strides have been made in providing modern equipment to the Navy and Marine Corps Reserve. The Department of the Navy, particularly through the implementation of the "Horizontal Integration" policy, where Reserve units and active force units are provided new or more modern equipment in a phased manner which insures ineroperability of forces upon mobilization, can take credit for much of the improvement in equipment distributions. However, most of the credit must go to Congress since that body has given strong advice and counsel to service leadership and because Congress has earmarked, mostly in the National Guard and Reserve Equipment (NG+RE) appropriation, new equipment for our Reserve Components. ROA strongly recommends continuation of this process and has provided the committee staff and several members of Congress with lists of high priority equipment requirements which are not included in the Fiscal Year 1989 budget request because of funding constraints.

In summary, the readiness and the capability of the Naval and Marine Corps Reserve continue to improve, however, Congressional support is required to provide additional FTS personnel and equipment for the Naval and Marine Corps Reserve to sustain the progress made to date.

COAST GUARD RESERVE

The modest growth in Selected Reserve strength requested for the Coast Guard for FY89, a 13,000 end strength, although an increase of 1,000 from the level funded for this year, is still 500 less than requested for last year and 1,000 less than authorized by Congress for FY88. Even more telling is the fact that a Coast Guard Selected Reserve strength of 13,000 is only 48 percent of mobilization requirements. In addition, it appears that the all too gentle slope of programmed growth will not permit the Coast Guard Reserve to reach 90 percent of requirements until the end of 1997.

This committee has been very sensitive to this glaring deficiency and included in the FY88 Department of Defense Authorization Act a provision stating that the Secretary of Transportation shall submit to the Congress "... a plan to enable the Coast Guard to meet 95 percet of its wartime mobilization requirements by September 30, 1998." This plan was due to Congress within 60 days of enactment of that law. To date, the required report has not been submitted. ROA recommends that Congress reaffirm the requirement for this report and then hold the administration to the timely achievement of the required Coast Guard Selected Reserve strength levels.

GENERAL PERSONNEL ISSUES

RESERVE MEDICAL COVERAGE

Over the past several years the Congress has made great strides in equalizing the medical benefits for Reservists and their survivors in the event a Reservist becomes ill, is injured, or killed while traveling to or from training or while participating in weekend drills or on tours of less than thirty days. We appreciate what you have done for this important element of the total force and believe that the increased reliance that is being placed upon the Reserve Components made it essential that they be provided with equal medical, disability, and survivor benefits. As can frequently happen with such a comprehensive legislative overhaul, there are certain minor examples of where new inequities have been created that we would encourage the members of this Committee to look at. For example, a student, after paying tuition for the school year, may suffer a financial loss if he is unable to attend class because of a Reserve duty related injury; since he has not suffered a loss in "pay" he is ineligible for reimbursement of his educational investment. To repeat, ROA appreciates what the Congress has done in this area over the past few years and believes that only minor fine tuning of the problem remains to be addressed.

MEDICAL SHORTFALLS

As the Reserve Forces Policy Board stated in its annual report on the Reserve Component Programs for FY 1987, approximately two-thirds of the medical care required during a major conflict in which the U.S. may be involved will be provided by Reserve Components. The Army National Guard and Army Reserve provide about 69% of the total Army's personnel in health related skills and units. The Naval Reserve provides nearly 58% and the Air National Guard and the Air Force Reserve contribute 33% to their respective services' health care needs. Therefore, the readiness of these Reserve Component medical forces is critical since so many of them will be required in the early days of a conflict. For this reason we hope that this Committee, as it addresses the medical shortfalls that currently exist, will work with the services to address methods by which the Reserve Components may reduce their shortages. For example, as reported by the Reserve Forces Policy Board, the Reserve Components are short approximately 7,100 physicians, 31,000 nurses and 73,000 enlisted health specialists in their wartime requirements. Even though the Congress has enacted incentives to attract and retain health professionals in undermanned skills, we are concerned that these shortages will continue if new and creative recruitment and retention procedures are not adopted. ROA hopes that the members of this Committee will work with the health professionals in the different services in establishing such new and creative programs to solve some of the shortage which currently exist among our Reserve Component medical professionals. In the past, ROA has testified that we believe that a health care professional special pay program for Reserve personnel should be considered as part of an overall plan to reduce existing shortages. As you know, such a special pay was enacted for active duty health care professionals by the 96th Congress but the Reserve Components were not included. ROA believes a special pay incentive program, when coupled with other initiatives, could have the same beneficial effect on recruiting and retention for the Reserve Components that PL 96-284 had for the active duty force.

CHAMPUS REFORM INITIATIVE

We note that a limited test of the CHAMPUS Reform Initiative (CRI) will begin later this year and we look forward to seeing an evaluation of its effectiveness after it has been in operation over a reasonable period of time. ROA applauds the objective of providing better health care at lower costs to both the government and the beneficiary and we urge the Congress to thoroughly evaluate the results of this limited implementation before permitting the Department of Defense to expand the concept beyond the area where it will be initially tested. We hope this Committee will, in particular, consider the military health care beneficiary who is not CHAMPUS eligible to determine what impact CRI has on the availability of treatment in the military health care system.

GI BILL

ROA was quite pleased to see the Congress enact legislation last year to make the new GI Bill permanent legislation. We believe that the Montgomery GI Bill is good not only for the services and the individual service member but is also good for our country. We note that legislative progress is currently being made in fine tuning the Bill in order to address some of the short comings which have become evident with the passage of time. We hope that needed improvements, such as a mechanism by which a service member or his family may be compensated if through medical disability or death the service member is prohibited from participating in the benefits of the program, will be enacted in this session of Congress.

SIXTH QUADRENNIAL REVIEW OF MILITARY COMPENSATION AND MILITARY RETIREMENT

ROA is very interested in seeing the final report as submitted on the results of the Sixth Quadrennial Review of Military Compensation since it is focusing on the Reserve Components. As a general principle, we believe that the current Reserve Component compensation system is basically fair and adequate; however, we recognize that a certain amount of fine tuning can well be justified and, therefore, we look forward with interest to seeing just exactly what recommendations, if any, are sent to the Congress based upon the extensive work that was devoted to this review of military compensation.

Since a great deal of the effort of the Sixth Quadrennial Review of Military Compensation was devoted to the Reserve retirement package, we look forward in particular to seeing the report that is submitted to the Congress on this program. It would be premature at this time to comment on any proposed changes. But if changes are recommended, ROA will be happy to work with this Committee in evaluating the potential impact if such changes were enacted into law. We find it significant that at the very time recommended changes to the Reserve retirement program are being prepared for submission to the Congress that the CBO, in its March 1988 report to the Senate and House Committees on the Budget, offers an option of terminating the Reserve retirement program for those entering the Reserve Components after the end of Fiscal Year 1988. ROA believes such a proposal to be totally unrealistic and would call the Committee's attention to a report issued by the Defense Manpower Data Center based on the 1986 Reserve Components Surveys. This report lists retirement as one of the major retention factors for Reserve personnel, as well as one of the major incentives for individuals leaving active duty to become active in the Reserve. For example, sixty-five percent of the enlisted personnel with prior service listed retirement as a major contributor compared to only thirty-six percent of the enlisted personnel without prior active service. Sixty-nine percent of the officers with prior service and fifty percent without prior service offer retirement as a major factor in retention decisions. Statistics like this confirm our opinion that Reserve retirement, which ROA worked for forty years ago, is and will continue to be a key factor in retaining the high quality personnel that are needed in the Reserve Components.

RESERVE COMPONENT SURVIVOR BENEFIT PLAN

The FY '86 Defense Authorization Bill established a two-tier Survivor Benefit Plan for those who first became retirement eligible on or after 1 October 1985. Under the two-tier plan a survivor would receive 55% of retired pay up to age 62 and 35% thereafter. The new two-tier plan eliminates the Social Security offset. However, by imposing an automatic reduction of the annuity to 35% at age 62, the new plan makes a mandatory cut in the annuity for all SBP recipients. Reserve Component survivors are the ones most adversely affected by this change. Under the old system a Reservist who paid maximum Social Security taxes each year in his civilian employment, and thus had no military pay contribution to FICA, was providing an unreduced annuity for his survivors. Under the new system the survivor of a Reservist who had no Social Security credits based upon military service will still suffer an annuity reduction from 55% to 35% at age 62. We believe that this arbitrary formula unjustly impacts on this group of survivors and recommend that the Committee reexamine the Survivor Benefit Plan changes with a goal of eliminating the two-tier system.

Thank you for the opportunity to present ROA's views on these important subjects. Your support for the men and women in uniform, both active and Reserve, is sincerely appreciated. I will be happy to answer any questions you might have.

Senator **GLENN**. So, we appreciate your willingness to spend this much time with us this morning. Thank you very much.

We will stand in recess subject to the call of the Chair.

[Whereupon, at 12:22 p.m., the subcommittees recessed, to reconvene upon the call of their chairmen.]

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